| 496 (2-04) Audi | eptartment of ting F er P.A. 2 of 19 | ro | ceo | dures Repo | ort | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-------|---------|-----------------------------------|-----------------------------------------------------------------------|---------------------|-------------------|--------------------|------------------|--|--|
| | emment Type | | | Village ☑Other | Local Government Name HURON COUNTY | | | County HURON | | | |
| Audit Date Opinion Date Date Accountant Report Submitted to State: 12/31/04 Date Accountant Report Submitted to State: 6/28/05 | | | | | | | | | | | |
| We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the <i>Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan</i> by the Michigan Department of Treasury. | | | | | | | | | | | |
| We affirm that: | | | | | | | | | | | |
| 1. We have complied with the Bulletin for the Audits of Local Units of Government in Michigan as revised. | | | | | | | | | | | |
| 2. We a | 2. We are certified public accountants registered to practice in Michigan. | | | | | | | | | | |
| | er affirm the s and reco | | - | - | ave been disclosed in t | the financial state | ements, includin | g the notes, or i | n the report of | | |
| You must | check the | appl | licable | box for each item be | elow. | | | | | | |
| Yes | ✓ No | 1. | Certa | in component units/ | funds/agencies of the I | ocal unit are excl | uded from the f | inancial stateme | ents. | | |
| Yes | √ No | 2. | | e are accumulated of 1980). | deficits in one or more | of this unit's un | reserved fund b | oalances/retaine | d earnings (P.A. | | |
| ✓ Yes | Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). | | | | | | | | | | |
| Yes | ✓ No | 4. | | | ed the conditions of issued under the Eme | | | ne Municipal Fi | nance Act or its | | |
| Yes | ✓ No | 5. | | • | osits/investments whic I], or P.A. 55 of 1982, | | • | requirements. (I | P.A. 20 of 1943, | | |
| Yes | ✓ No | 6. | The le | ocal unit has been de | elinquent in distributing | tax revenues that | at were collecte | d for another ta | xing unit. | | |
| Yes | ✓ No | 7. | pensi | on benefits (normal | ed the Constitutional costs) in the current y normal cost requirement | ear. If the plan | is more than 10 | 00% funded and | the overfunding | | |
| Yes | ✓ No | 8. | | ocal unit uses cred .129.241). | it cards and has not | adopted an app | licable policy as | s required by P | .A. 266 of 1995 | | |
| Yes | ✓ No | 9. | The le | ocal unit has not ado | opted an investment po | licy as required b | by P.A. 196 of 1 | 997 (MCL 129.9 | 5). | | |
| We have | enclosed | the | follov | vina: | | | Enclosed | To Be Forwarded | Not Required | | |
| | | | | ecommendations. | | | | ✓ | | | |
| Reports | on individu | al fe | deral | financial assistance | programs (program au | dits). | | | ✓ | | |
| Single Audit Reports (ASLGU). | | | | | | | | | | | |
| Certified Public Accountant (Firm Name) HYZER, HILL, KUZAK & CO., P.C. | | | | | | | | | | | |
| Street Addi | | ACH | I ROA | AD | | City BAD AXE | | MI ZIP 484 | 413 | | |
| 1242 SAND BEACH ROAD Accountant Signature Council August BAD AXE MI 48413 | | | | | | | | | | | |

HURON COUNTY BAD AXE, MICHIGAN

FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2004

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Huron County, Michigan

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HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants 1242 Sand Beach Road P.O. Box 326 Bad Axe, MI 48413-0326 Bruce Hill Donald Kuzak Michael Doerr

Phone: (989) 269-9541 • FAX: (989) 269-6777

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of Huron County
Bad Axe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Huron County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units included in the basic financial statements of Huron County.

| Component Units | Classification | Percentage of Government-wide Total Revenues and Other Sources | Percentage of Government-wide Total Assets |
|-------------------------|--------------------------|----------------------------------------------------------------|--------------------------------------------|
| Primary government: | | | |
| Airport, Parks | Governmental activities | 8.08% | 28.38% |
| Huron Transit Funds | Business type activities | 15.36% | 12.28% |
| Discretely presented: | | | |
| Road Commission | Component units | 51.86% | 60.65% |
| Drain Funds | Component units | 9.22% | 29.17% |
| Huron Behavioral Health | Component units | 33.66% | 4.93% |

The financial statements for these component units were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of Arnerica and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 26, 2005, on our consideration of Huron County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11, schedule of funding progress and budgetary comparison on pages 67 through 76 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Huron County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants

Hysper, Hill, Kugak & Co. P.C.

May 26, 2005

Management's Discussion and Analysis December 31, 2004

As management of the County of Huron, Michigan, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and footnotes.

Financial Highlights

- The assets of the County exceeded its liabilities by \$29,813,554 at December 31, 2004. This includes \$13,812,332 which may be used to meet the County's ongoing obligations to citizens and creditors. The total net assets increased by approximately \$2,556,000 due in part to the accelerated recognition of property tax revenues (\$1,900,000) as mandated by Public Act 357 of 2004. Additionally, the County received capital grants for the airport of \$380,000, and non-recurring revenues of \$128,000 were realized from the sale of park property.
- The County's total debt decreased by \$369,952 during 2004.
- The Board of Commissioner's adopted the General Fund's 2005 budget. The budget was balanced with no appropriation from fund balance.

Overview of the Financial Statements

The County's basic financial statements are made up of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, economic development and recreation and cultural. The business type activities of the County include the Medical Care Facility, Sheriff's Commissary, Transit Funds and the Delinquent Tax Revolving Fund.

The government-wide financial statements include not only the County itself (known as the primary government) but also a legally separate Huron Behavioral Health Authority, a legally separate Road Commission, a legally separate Drain Commissioner projects, a legally separate Department of Public Works and a legally separate Economic Development Corporation for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12 - 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds are reported using the modified accrual method of accounting. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 27 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the General Fund, Health Fund, Primary Road Fund, and Revenue Reserve Fund all of which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

Proprietary funds. Proprietary funds use the accrual basis of accounting, which is the same basis used by the private sector. The County maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The County uses enterprise funds to account for the activities of the Medical Care Facility, Transit System, Delinquent Tax Revolving, and Sheriff's Commissary funds.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its various employee benefits and risk programs.

Because these services predominately benefit governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary financial statements provide separate information for the Medical Care Facility, Transit System and Delinquent Tax Revolving Fund, all of which are considered to be major funds of the County. Individual fund data for the one nonmajor Enterprise Fund is provided in the form of combining statements elsewhere in this report. The County's two Internal Service Funds are presented in the proprietary fund financial statements in the Governmental Activities Internal Service Fund column.

The basic proprietary fund financial statements can be found on pages 19 - 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The largest of the Fiduciary Funds is the Trust and Agency Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 66 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and the budgetary information for the four major governmental funds. This required supplementary information can be found on pages 67 - 76 of this report.

The combining statements referred to earlier in connection with nonmajor governmental, enterprise and fiduciary funds are presented immediately following the required supplementary information. Combining, individual fund statements and schedules can be found on pages 77 - 159 on this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$29,813,554 at December 31, 2004.

Approximately 46% of the County's net assets are unrestricted and available for future obligations. The largest portion of net assets represents our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (approximately 1.7%) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

| | Govern | nmental | Busine | ss Type | | | | |
|------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| | Activities | | Activ | vities | Total | | | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | | |
| Assets: Current and other assets | \$ 13,219,077 | \$ 12,951,578 | \$ 12,605,319 | \$ 11,974,974 | \$ 25,824,396 | \$ 24,926,552 | | |
| Capital assets, net of | \$ 13,219,077 | \$ 12,951,576 | \$ 12,005,519 | \$ 11,974,974 | \$ 25,024,590 | \$ 24,920,002 | | |
| accumulated depreciation | 12,411,423 | 12,510,198 | 5,293,786 | 5,672,674 | 17,705,209 | 18,182,872 | | |
| Total assets | 25,630,500 | 25,461,776 | 17,899,105 | 17,647,648 | 43,529,605 | 43,109,424 | | |
| Liabilities: | | | | | | | | |
| Current liabilities | 8,221,960 | 9,995,687 | 2,837,933 | 2,666,753 | 11,059,893 | 12,662,440 | | |
| Other liabilities | 1,878,993 | 2,137,801 | 777,165 | 1,051,751 | 2,656,158 | 3,189,552 | | |
| Total liabilities | 10,100,953 | 12,133,488 | 3,615,098 | 3,718,504 | 13,716,051 | 15,851,992 | | |
| Net assets: Investment in capital assets | | | | | | | | |
| net of related liabilities | 11,159,665 | 11,032,677 | 4,341,806 | 4,555,232 | 15,501,471 | 15,587,909 | | |
| Restricted | 165,006 | 68 | 334,745 | 347,278 | 499,751 | 347,346 | | |
| Unrestricted | 4,204,876 | 2,295,543 | 9,607,456 | 9,026,634 | 13,812,332 | 11,322,177 | | |
| Total net assets | \$ 15,529,547 | \$ 13,328,288 | \$ 14,284,007 | \$ 13,929,144 | \$ 29,813,554 | \$ 27,257,432 | | |

The following condensed financial information was derived from the Government-wide Statement of Activities and reflects how the County's net assets changed during the year.

Changes in Net Assets

| Changes in Net Assets | | | | | | | | |
|-----------------------------------|---------------|-------------------|---------------|-------------------|-----------------|---------------|--|--|
| | | nmental vities | | ss Type vities | Total | | | |
| | | vides | Acti | Vities | Total | | | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | | |
| Revenues: | | | | | | | | |
| Program revenues | | | | | | | | |
| Charges for services | \$ 5,776,412 | \$ 5,294,283 | \$ 7,500,481 | \$ 7,140,409 | * \$ 13,276,893 | \$ 12,434,692 | | |
| Grants and contributions | 2,935,863 | 2,656,965 | 951,016 | 696,292 | 3,886,879 | 3,353,257 | | |
| General revenues | | | | | | | | |
| Property taxes | 9,307,680 | 7,105,782 | 907,505 | 871,360 | 10,215,185 | 7,977,142 | | |
| Intergovernmental revenues | 352,773 | 810,565 | 174,479 | 123,603 | 527,252 | 934,168 | | |
| Investment earnings | 92,028 | 109,398 | 124,068 | 131,252 | 216,096 | 240,650 | | |
| Other revenues | 13,883 | 24,742 | 443,350 | 522,374 | * 457,233 | 547,116 | | |
| Total revenues | 18,478,639 | 16,001,735 | 10,100,899 | 9,485,290 | 28,579,538 | 25,487,025 | | |
| Expenses: | | | | | | | | |
| Legislative | 253,104 | 281,721 | - | - | 253,104 | 281,721 | | |
| Judicial | 1,873,716 | 1,923,225 | - | - | 1,873,716 | 1,923,225 | | |
| General governmental | 2,538,079 | 2,698,179 | * - | - | 2,538,079 | 2,698,179 | | |
| Public safety | 4,703,331 | 4,871,658 | * - | - | 4,703,331 | 4,871,658 | | |
| Public works | 464,688 | 474,721 | - | - | 464,688 | 474,721 | | |
| Health and welfare | 3,774,544 | 3,722,209 | * - | - | 3,774,544 | 3,722,209 | | |
| Economic development | 124,224 | 249,843 | * - | - | 124,224 | 249,843 | | |
| Recreation and cultural | 1,022,787 | 1,135,842 | - | - | 1,022,787 | 1,135,842 | | |
| Other activities | 1,901,590 | 1,806,090 | * - | - | 1,901,590 | 1,806,090 | | |
| Interest on debt service | 50,643 | 57,821 | - | - | 50,643 | 57,821 | | |
| Medical care facility | - | - | 7,449,848 | 7,032,696 | 7,449,848 | 7,032,696 | | |
| Huron transit | - | - | 1,809,065 | 1,743,590 | 1,809,065 | 1,743,590 | | |
| Delinquent tax revolving | - | - | 142,336 | 81,839 | 142,336 | 81,839 | | |
| Commissary | | | 39,974 | 20,078 | 39,974 | 20,078 | | |
| Total expenses | 16,706,706 | 17,221,309 | 9,441,223 | 8,878,203 | 26,147,929 | 26,099,512 | | |
| Increase (decrease) in net assets | | | | | | | | |
| before transfers and other items | 1,771,933 | (1,219,574) | 659,676 | 607,087 | 2,431,609 | (612,487) | | |
| Sale of easement/land | 128,046 | - | - | - | 128,046 | - | | |
| Transfers | 301,280 | 1,727,737 | (304,813) | (1,727,737) | (3,533) | | | |
| Increase (decrease) in net assets | 2,201,259 | 508,163 | 354,863 | (1,120,650) | 2,556,122 | (612,487) | | |
| Net assets, beginning of year | 13,328,288 | 12,820,125 | 13,929,144 | 15,049,794 | 27,257,432 | 27,869,919 | | |
| Net assets, end of year | \$ 15,529,547 | \$ 13,328,288 | \$ 14,284,007 | \$ 13,929,144 | \$ 29,813,554 | \$ 27,257,432 | | |

^{* 2003} balances reclassified to conform to 2004 presentation

The County's net assets increased by \$2.5 million during the current fiscal year. This includes a \$2.2 million increase for governmental activities and \$300,000 increase for business type activities.

Governmental activities. Governmental activities increased the County's net assets by \$2.2 million, accounting for 88% of the total growth in the net assets of the County. Key elements of this increase are as follows:

- Property taxes increased by \$2.2 million during the year. \$1.9 million of this change was caused by the acceleration of General Fund property tax revenue pursuant to Public Act 357 of 2004 that required the County to establish a restricted fund, the Revenue Sharing Reserve Fund, and place one-third of the County's December 2004 property tax levy in the fund. After December 2006, a total of three payments will be in the fund to provide a funding mechanism which will replace state revenue sharing payments. The remaining increase of \$.3 million was caused by a growth in the taxable value of County property.
- Charges for services increased by \$482,000. Additional revenues were realized from revolving loan fund collections (\$73,000); charges for the housing of prisoners from other counties (\$200,000); insurance refunds (\$96,000) and airport revenues (\$50,000).
- Intergovernmental revenues declined by \$458,000. The major reason for the decline was a \$423,000 reduction in State Revenue Sharing because of the enactment of Public Act 357 of 2004 (see above).
- Revenues from grants increased by \$278,000 (10.4%) due to 2004 funding received for an airport expansion project.
- Expenses decreased by \$515,000 (3.0%) from 2003. Cost reductions were realized in general government (\$160,000) and public safety (\$167,000) due to spending restraints. Additional reductions from 2003 were realized in community development programs.

Business type activities. Business type activities increased the County's net assets by \$354,000. Key elements of the current year increase are as follows:

- Charges for services for business type activities increased by \$360,000 over 2003 due to an increase in Medical Care Facility patient revenues. Other revenues declined by \$79,000 due principally to reductions in Delinquent Tax Revolving Fund fees collected from foreclosures.
- Expenses increased \$563,000 as a result of higher labor costs for Medical Care Facility and Transit Fund operations. Additionally, the County charged the Delinquent Tax Revolving Fund \$45,000 for payroll costs which were previously paid by the General Fund.

Financial Analysis of the County's Funds

As noted earlier, the Huron County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2004, the County's governmental funds reported combined ending fund balances of \$4,654,234, an increase of \$1,915,805 in comparison with the prior year. Of the fund balance amount \$4,437,166 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the County. At December 31, 2004, unreserved fund balance of the general fund was \$302,260, while total fund balance was \$519,260. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 2.8 % of total general fund expenditures and transfers out.

The fund balance of the County's general fund decreased by \$84,782 during the current fiscal year. This is primarily attributed to growth in fringe benefits costs which have outpaced revenue growth in recent years.

The fund balance of the Health Department fund increased by \$7,598 during 2004.

The Primary Road fund had a total fund balance of \$17,705, which decreased by \$19,162 in the current year. The decrease in fund balance is attributable to road spending in excess of tax revenues.

The Revenue Reserve fund had a total fund balance of \$1,530,286. This new fund is mandated by the State of Michigan and accounts for accelerated property tax collections to serve as a substitute for state revenue sharing payments. Three annual payments, each equal to 1/3 of the annual property tax levy, must be placed in the fund over the next three years. Beginning in late 2004 and continuing until the fund balance is exhausted, the County will be able to draw monies from this fund equal to fiscal 2004 state revenue sharing payments adjusted for inflation.

Nonmajor governmental funds had an increase in fund balance of \$481,865 due primarily to revenues from sale of parks properties (\$128,000); accelerated collection of revolving fund loans (\$73,000); and profits of \$95,000 in the Emergency Phone Service Fund.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Medical Care Facility and Delinquent Tax funds increased by \$566,898 and \$66,004, respectively, while the Huron Transit fund had a decrease in net assets of \$304,603.

Internal service funds experienced an increase in net assets of \$283,592 due to favorable claims expense in the workers' compensation and Blue Cross funds.

General fund budgetary highlights

Changes to original budget

General fund revenues increased by \$616,852 from the original to the final budget. The increase was comprised of a \$225,379 increase in charges to services mainly due to increased jail revenue from the boarding of prisoners from other counties. This increase was made possible because of the jail renovation program completed in 2003. There were also increases in court fees and other fees. The original budget for state revenues was increased by \$130,140. The original budget for federal revenues was increased by \$112,206 to reflect higher than anticipated federal funding for Friend of the Court and emergency service programs. Other revenues increased over the original budget by \$106,727 due to higher insurance refunds from medical fringe benefit plans.

Expenditure budgets were increased from original amounts by \$528,287. The largest increases were in public safety (\$127,697) which was due to higher emergency service spending for capital items, financed by federal grants. Other expenditure budgets were increased over original budgets by \$256,422. This increase was due to higher medical fringe benefit costs of \$43,600 and increases to contingency budgets. Operating transfers out increased \$88,565 due largely to increased child care costs of \$85,000.

Overall budget to actual comparison

General fund revenues for the year were \$619,955 lower than final budgeted amounts due to a \$536,237 reduction in state revenue sharing and a \$104,581 shortfall in charges for services. The loss of state revenue sharing was partially offset by an unbudgeted increase in operating transfers in of \$446,075 from the Revenue Reserve fund as noted previously in this discussion. Overall revenues and operating transfers in were less than final budgeted amounts by \$173,880.

General fund expenditures were \$444,344 less than final budgeted amounts with the largest decreases of \$75,255 in general government and \$285,847 in unused contingency expenditures. Several other budget categories were underspent in smaller amounts.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its government activities at December 31, 2004 amounted to \$12,411,423 for governmental activities and \$5,293,786 for business type activities (both net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, drains, etc.). The total decrease in capital assets for the year was 2.6% due to depreciation in excess of current year additions.

Major capital assets during the current fiscal year included the following:

The County's airport fund received federal capital grants of \$383,666 to finance property improvements.

Capital Assets (net of depreciation)

| | Governmental Activities | | | | Business Type Activities | | | | Total | | | |
|-------------------------------------------------------|----------------------------|------------|------|------------|--------------------------|-----------|----|-----------|-------|------------|-----|------------|
| | 2004 | | 2003 | | _ | 2004 | | 2003 | | 2004 | | 2003 |
| Land and improvements | \$ | 3,983,357 | \$ | 3,794,348 | \$ | 17,500 | \$ | 17,500 | \$ | 4,000,857 | \$ | 3,811,848 |
| Buildings and improvements Improvements other than | | 6,827,232 | | 7,103,875 | | 4,246,567 | | 4,438,063 | | 11,073,799 | | 11,541,938 |
| buildings | | 719,522 | | 540,768 | | - | | - | | 719,522 | | 540,768 |
| Equipment and vehicles | | 881,312 | _ | 1,071,207 | _ | 1,029,719 | | 1,217,111 | | 1,911,031 | | 2,288,318 |
| Total capital assets | <u>\$</u> | 12,411,423 | \$ | 12,510,198 | \$ | 5,293,786 | \$ | 5,672,674 | \$ | 17,705,209 | _\$ | 18,182,872 |

Long-term debt. At the end of the current fiscal year, the County had total bonded debt and notes outstanding of \$3,206,011. This entire amount comprises debt backed by the full faith and credit of the County with the exception of the installment notes.

Outstanding Debt

| | Governmental Activities | | | Business Type Activities | | | Total | | | | | |
|---------------------------------------|-------------------------|-----------|----|--------------------------|----|-----------|-----------|-----------|-----------|-----------|----|-----------|
| | _ | 2004 | _ | 2003 | _ | 2004 | _ | 2003 | _ | 2004 | | 2003 |
| Municipal purchase notes | \$ | 1,080,000 | \$ | 1,215,000 | \$ | 951,980 | \$ | 1,117,442 | \$ | 2,031,980 | \$ | 2,332,442 |
| General obligation bonds | | 130,000 | | 255,000 | | - | | - | | 130,000 | | 255,000 |
| General obligation limited tax notes | | - | | - | | 1,002,273 | | 981,000 | | 1,002,273 | | 981,000 |
| Installment loans and lease purchases | | 41,758 | | 7,521 | _ | <u>-</u> | _ | | _ | 41,758 | | 7,521 |
| Total outstanding debt | \$ | 1,251,758 | \$ | 1,477,521 | \$ | 1,954,253 | <u>\$</u> | 2,098,442 | <u>\$</u> | 3,206,011 | \$ | 3,575,963 |

The County's total debt decreased by \$369,952 (10%) during the current fiscal year.

New debt issued during 2004 included lease purchase agreements in the amount of \$54,675 and Delinquent Tax Notes of \$2,900,000.

The County has an "A" rating for general obligation bonds and tax notes from Standard and Poor's.

State statutes limit the amount of general obligation debt a governmental unit may issue to 10 % of its total assessed valuation (State Equalized Value). The County's current debt limitation is \$189,092,690 which is significantly in excess of the County's outstanding general obligation debt.

Additional information regarding the County's long-term debt can be found in note H on Pages 52 - 58 of this report.

Economic Factors, Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2005 fiscal year:

- The County's current unemployment rate is 7.6% which is the same as that of one year ago. The state's current unemployment rate is 6.6% while the national rate is 5.2%.
- The County's fringe benefit costs have dramatically increased in recent years and this trend is expected to continue.
- Property taxes revenues for 2005 are budgeted to increase by 4.8% or \$280,000. This results from inflationary growth and a modest amount of new construction.
- The County's budgets for wages and benefits reflect inflationary increases net of staffing reductions.
- The 2005 budget anticipates no requirement to use available fund balance.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Huron County Treasurer's Office at 250 East Huron, Bad Axe, MI 48413.

Statement of Net Assets December 31, 2004

| | | Primary Government | t | |
|--------------------------------------------------|------------------------|--------------------|---------------|---------------------|
| | Governmental | Business Type | | Component |
| | <u>Activities</u> | Activities | Total | Units |
| ASSETS: | 0.040407 | * 4.004.004 | 0 0 544 470 | A 40 005 000 |
| Cash and cash equivalents | \$ 3,649,197 | \$ 4,861,981 | \$ 8,511,178 | \$ 10,325,863 |
| Investments | 1,095,503 | 4,154,558 | 5,250,061 | 220,484 |
| Receivables (net of allowance) Internal balances | 8,511,578 (470,401) | 2,875,489 | 11,387,067 | 19,507,474 |
| Due from primary government | (470,491) | 549,011 | 78,520 | 360,001 |
| Inventory | _ | 39,026 | 39,026 | 650,976 |
| Advance to component units | 217,000 | 39,020 | 217,000 | 030,970 |
| Advances | 36,433 | _ | 36,433 | - |
| Prepaid expenditures | 179,857 | 125,254 | 305,111 | 242,510 |
| Capital assets (net of | 110,001 | 120,204 | 000,111 | 242,010 |
| accumulated depreciation) | | | | |
| Assets not being depreciated | 3,983,357 | 17,500 | 4,000,857 | 11,617,207 |
| Assets being depreciated | 8,428,066 | 5,276,286 | 13,704,352 | 65,993,818 |
| | | | | |
| Total assets | \$ 25,630,500 | \$ 17,899,105 | \$ 43,529,605 | \$ 108,918,333 |
| LIABILITIES: | | | | |
| Payables and accrued liabilities | \$ 1,103,939 | \$ 900,090 | \$ 2,004,029 | \$ 949,232 |
| Accrued interest | 15,735 | - | 15,735 | 130,759 |
| Due to fiduciary funds | 638,396 | - | 638,396 | - |
| Due to component units | 360,001 | - | 360,001 | - |
| Advances from primary government | - | - | ** | 217,000 |
| Deferred revenue | 5,815,061 | 760,755 | 6,575,816 | 10,807,065 |
| Non-current liabilities | | | | |
| Advance from State | _ | - | - | 242,395 |
| Due within one year | 288,828 | 1,177,088 | 1,465,916 | 2,098,171 |
| Due in more than one year | 1,878,993 | 777,165_ | 2,656,158 | 14,813,208 |
| Total liabilities | 10,100,953 | 3,615,098 | 13,716,051 | 29,257,830 |
| NET ASSETS: | | | | |
| Investment in capital assets, | | | | |
| net of related liabilities | 11,159,665 | 4,341,806 | 15,501,471 | 67,099,095 |
| Net assets | | | | |
| Restricted | | | | |
| Capital projects | 164,938 | - | 164,938 | 439,788 |
| Debt Service | 68 | - | 68 | 167 |
| Foreclosure | - | 206,445 | 206,445 | - |
| Risk management | - | - | - | 33,746 |
| Tax administration | - | 128,300 | 128,300 | - |
| Unrestricted | 4,204,876 | 9,607,456 | 13,812,332 | 12,087,707 |
| Total net assets | \$ 15,529,547 | \$14,284,007 | \$ 29,813,554 | \$ 79,660,503 |

| | | | Program Revenues |
|----------------------------------|------------|-------------------------|------------------------------------|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions |
| Primary government: | | | |
| Governmental activities: | | | |
| Legislative | \$ 253,104 | \$ - | \$ - |
| Judicial | 1,873,716 | 521,775 | 722,691 |
| General government | 2,538,079 | 990,462 | 147,560 |
| Public safety | 4,703,331 | 2,175,685 | 279,762 |
| Public works | 464,688 | 63,451 | 398,082 |
| Health and welfare | 3,774,544 | 1,040,585 | 1,367,326 |
| Economic development | 124,224 | 50,000 | 20,442 |
| Recreation and cultural | 1,022,787 | 934,454 | - |
| Other | 1,901,590 | - | - |
| Interest on long term debt | 50,643 | - | - |
| Total governmental activities | 16,706,706 | 5,776,412 | 2,935,863 |
| Business type activities: | | | |
| Medical care facility | 7,449,848 | 7,179,227 | - |
| Huron transit | 1,809,065 | 283,645 | 713,343 |
| Delinquent tax revolving | 142,336 | · - | · - |
| Commissary | 39,974 | 37,609 | - |
| Total business type activities | 9,441,223 | 7,500,481 | 713,343 |
| Total primary government | 26,147,929 | 13,276,893 | 3,649,206 |
| Component units: | | | |
| Road commission | 9,963,806 | 1,112,619 | 10,079,603 |
| Department of public works | 981,274 | 981,276 | <u>-</u> |
| Economic development corporation | 260,697 | 121,152 | 63,434 |
| Huron behavioral health | 7,851,269 | 7,468,029 | 151,461 |
| Drain commissioner | 1,624,728 | | 2,132,164 |
| Total component units | 20,681,774 | 9,683,076 | 12,426,662 |

General revenues:

Property Taxes

Grants and contributions not

restricted to specific programs

Unrestricted investment income

Restricted investment income

Interest and penalties on delinquent taxes

Gain on sale of fixed assets

Miscellaneous revenues

Transfers

Special Items:

Sale of Easement/Land

Total general revenues, transfers and special items

Change in net assets

Net assets, beginning of year

Net assets, end of year

Statement of Activities For the Year Ended December 31, 2004

Net (Expense) Revenue and Change in Net Assets

| | | Primary Government | nd Onlange III Not / 1830ts | |
|---------|-------------------------|----------------------|-----------------------------|--------------|
| Capital | Governmental | Business Type | Tatal | Component |
| Grants | Activities | <u>Activities</u> | Total | Units |
| \$ - | \$ (253,104) | \$ - | \$ (253,104) | \$ - |
| - | (629,250) | <u>-</u> | (629,250) | - |
| - | (1,400,057) | - | (1,400,057) | - |
| - | (2,247,884) (3,155) | <u>-</u> | (2,247,884) (3,155) | - |
| - - | (1,366,633) | <u>-</u> | (1,366,633) | - |
| - | (53,782) | - | (53,782) | - |
| - | (88,333) | • | (88,333) | - |
| - | (1,901,590) (50,643) | - | (1,901,590) (50,643) | _ |
| | (7,994,431) | | (7,994,431) | |
| | () = | | | |
| ~ | - | (270,621) | (270,621) | - |
| 237,673 | - | (574,404) | (574,404) | - |
| - | - | (142,336) (2,365) | (142,336) | - |
| 237,673 | _ | (989,726) | (2,365) (989,726) | |
| | (7.004.404) | | | |
| 237,673 | (7,994,431) | (989,726) | (8,984,157) | - |
| _ | _ | _ | _ | 1,228,416 |
| - | - - | - - | - - | 1,220,410 |
| - | - | - | - | (76,111) |
| - | - | - | - | (231,779) |
| | | | | 507,436 |
| | | | - | 1,427,964 |
| | 9,307,680 | 907,505 | 10,215,185 | 1,017,332 |
| | 352,773 | 174,479 | 527,252 | 294,368 |
| | 92,028 | 124,068 | 216,096 | 129,099 |
| | - | - | - | 1,547 |
| | - 70 | 437,846 | 437,846 70 | - 2,924 |
| | 13,813 | 5,504 | 19,317 | 21,069 |
| | 301,280 | (304,813) | (3,533) | , - |
| | 128,046 | - 4.044.500 | 128,046 | 4 400 000 |
| | 10,195,690 | 1,344,589 | 11,540,279 | 1,466,339 |
| | 2,201,259 | 354,863 | 2,556,122 | 2,894,303 |
| | 13,328,288 | 13,929,144 | 27,257,432 | 76,766,200 |
| | \$ 15,529,547 | \$ 14,284,007 | \$ 29,813,554 | \$79,660,503 |

| Governmental Funds Balance Sheet | | | | | | | | |
|----------------------------------|--------------------------------|--------------------------------|--|--|--|--|--|--|
| | December 31, 2004 | | | | | | | |
| | Other Governmental Funds | Total Governmental Funds | | | | | | |
| _ | | | | | | | | |
| | | | | | | | | |
| | \$1,544,060 | \$ 3,649,197 | | | | | | |
| | - | 1,095,503 | | | | | | |
| | 278,378 | 7,782,889 | | | | | | |
| | 347,409 | 503,621 | | | | | | |
| | 761,647 | 1,571,054 | | | | | | |
| | 38,588 | 295,068 | | | | | | |
| | - | 217,000 | | | | | | |
| _ | 36,433 | 36,433 | | | | | | |
| _ | \$3,006,515 | \$15,150,765 | | | | | | |
| _ | | | | | | | | |
| | | | | | | | | |
| | \$ 110.258 | \$ 342 704 | | | | | | |

| | General | Health Department | Primary Road | Revenue Reserve | Governmental Funds | Governmental Funds |
|-----------------------------------|-------------|----------------------|-----------------|--------------------|-----------------------|-----------------------|
| ASSETS | | | - | | | |
| Assets: | | | | | | |
| Cash and cash equivalents | \$1,771,846 | \$ 316,344 | \$ 16,947 | \$ - | \$1,544,060 | \$ 3,649,197 |
| Investments Receivables | 1,095,503 | - | - | - | - | 1,095,503 |
| Property taxes | 4,137,756 | - | 1,390,394 | 1,976,361 | 278,378 | 7,782,889 |
| Accounts and interest | 59,000 | 97,212 | - | - | 347,409 | 503,621 |
| Due from other funds | 458,075 | 350,574 | 758 | - | 761,647 | 1,571,054 |
| Due from other governmental units | 256,480 | - | - | - | 38,588 | 295,068 |
| Advances to component units | 217,000 | - | - | - | - | 217,000 |
| Advances | | | | - | 36,433 | 36,433 |
| Total assets | \$7,995,660 | \$ 764,130 | \$1,408,099 | \$1,976,361 | \$3,006,515 | \$15,150,765 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 117,748 | \$ 114,698 | \$ - | \$ - | \$ 110,258 | \$ 342,704 |
| Accrued liabilities | 129,132 | - | - | - | 18,355 | 147,487 |
| Due to other funds | 3,029,651 | - | - | 446,075 | 12,000 | 3,487,726 |
| Due to component units | - | - | - | - | 360,001 | 360,001 |
| Due to other governmental units | - | - | - | - | 39,000 | 39,000 |
| Deferred revenue | 4,199,869 | | 1,390,394 | | 529,350 | 6,119,613 |
| Total liabilities | 7,476,400 | 114,698 | 1,390,394 | 446,075 | 1,068,964 | 10,496,531 |
| Fund balances: Reserved | | | | | | |
| Long-term advances | 217,000 | _ | _ | - | _ | 217,000 |
| Capital projects | , | _ | _ | _ | 164,938 | 164,938 |
| Debt service | _ | _ | _ | _ | 68 | 68 |
| Unreserved | | | | | | 00 |
| General fund | 302,260 | _ | _ | _ | _ | 302,260 |
| Other funds | | 649,432 | 17,705 | 1,530,286 | 1,772,545 | 3,969,968 |
| Total fund balances | 519,260 | 649,432 | 17,705 | 1,530,286 | 1,937,551 | 4,654,234 |
| Total liabilities and | | | | | | |
| fund balances | \$7,995,660 | \$ 764,130 | \$1,408,099 | \$1,976,361 | \$3,006,515 | \$15,150,765 |

Reconciliation of Fund Balance on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets December 31, 2004

| Fund balance, total governmental funds | | \$ 4,654,234 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------|
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Capital assets Accumulated depreciation | 20,184,389 (7,772,966) | 12,411,423 |
| Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | |
| Revolving fund loans Other | 180,972 62,110 | 243,082 |
| Internal Service Fund used by management to charge cost of property, liability, health, disability, workers compensation and life insurance expenses and claims. The assets and liabilities of the internal service funds are included in governmental activities in the | | |
| statement of net assets. | | 404,364 |
| Long-term liabilities, including bonds payable, are not due and payable | | |
| in the current period and therefore are not reported in the funds. Bonds payable | (1,210,000) | |
| Notes payable | (41,758) | |
| Accrued interest on bonds/notes payable Accrued compensated absence | (15,735) (916,063) | (2,183,556) |
| Net assets, governmental activities | | \$ 15,529,547 |

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended December 31, 2004

| Dayanaa | General | Health Department | Primary Roads | Revenue Reserve | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------------|----------------------|--------------------|--------------------|--------------------------------|--------------------------------|
| Revenues: | Ф С 774 7 64 | Φ | A 4 007 000 | A 4 070 004 | A 004 004 | Φ 0007.705 |
| Taxes | \$ 5,771,751 | \$ - | \$ 1,297,969 | \$ 1,976,361 | \$ 261,624 | \$ 9,307,705 |
| Licenses and permits | 50,853 | 176,656 | - | - | 394,229 | 621,738 |
| Federal grants | 376,119 | 716,090 | - | - | 404,108 | 1,496,317 |
| State grants | 1,149,341 | 362,848 | - | - | 306,226 | 1,818,415 |
| Charges for services | 1,915,067 | 759,905 | - | - | 1,033,039 | 3,708,011 |
| Fines and forfeitures | 104,221 | - | - | - | 4,849 | 109,070 |
| Interest | 58,998 | - | 3,841 | - | 24,606 | 87,445 |
| Rents | 303,220 | | - | - | 943,562 | 1,246,782 |
| Other | 120,569 | 54,003 | | | 204,703 | 379,275 |
| Total revenues | 9,850,139 | 2,069,502 | 1,301,810 | 1,976,361 | 3,576,946 | 18,774,758 |
| Expenditures: | | | | | | |
| Legislative | 213,084 | - | - | - | - | 213,084 |
| Judicial | 1,526,503 | - | - | - | 42,600 | 1,569,103 |
| General government | 2,130,595 | - | - | - | 53,495 | 2,184,090 |
| Public safety | 2,761,741 | - | - | - | 1,111,382 | 3,873,123 |
| Public works | 318,701 | - | - | - | 513,706 | 832,407 |
| Health and welfare | 334,849 | 2,340,198 | - | - | 1,219,345 | 3,894,392 |
| Economic development | 70,000 | _ | - | - | 54,224 | 124,224 |
| Recreation and cultural | 66,091 | - | - | - | 866,819 | 932,910 |
| Other | 1,691,877 | - | 1,320,972 | - | 338,378 | 3,351,227 |
| Debt service | | | | | | |
| Principal | 135,000 | - | - | - | 126,370 | 261,370 |
| Interest and charges | 40,041 | | | | 12,308 | 52,349 |
| Total expenditures | 9,288,482 | 2,340,198 | 1,320,972 | | 4,338,627 | 17,288,279 |
| Excess of revenues | | | | | | |
| over (under) expenditures | 561,657 | (270,696) | (19,162) | 1,976,361 | (761,681) | 1,486,479 |
| Other financing sources (uses): | | | | | | |
| Operating transfers in | 750,888 | 278,294 | - | - | 1,285,455 | 2,314,637 |
| Operating transfers out | (1,397,327) | - | - | (446,075) | (169,955) | (2,013,357) |
| Total other financing | | | | | | |
| sources (uses) | (646,439) | 278,294 | - | (446,075) | 1,115,500 | 301,280 |
| Special items: Sale of Easement/Land | | | | | 128,046 | 128,046 |
| Net change in fund balance | (84,782) | 7,598 | (19,162) | 1,530,286 | 481,865 | 1,915,805 |
| Fund balance, beginning of year | 604,042 | 641,834 | 36,867 | | 1,455,686 | 2,738,429 |
| Fund balance, end of year | \$ 519,260 | \$ 649,432 | \$ 17,705 | \$ 1,530,286 | \$ 1,937,551 | \$ 4,654,234 |

Reconciliation of the Statement of Revenues Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities December 31, 2004

| Net change in fund balances, total governmental funds | | \$ 1,915,805 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital outlay Depreciation expense | 608,141 (706,916) | (98,775) |
| Revenue in the statement of activities that does not provide current financial resources are not reported as revenue in the funds. | | (103,490) |
| The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets. | | |
| Principal payments on long term liabilities, net of new debt | | 225,763 |
| Internal service funds used by management to charge costs of property, liability, health, disability, workers compensation and life insurance expenses and claims. The net revenues (expenses) attributable to those funds is reported with governmental activities. | | 254,663 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds. | | |
| Increase in accrued interest payable Increase in accrued compensated absences | 1,706 5,587 | 7,293 |
| Change in net assets, governmental activities | | \$ 2,201,259 |

Proprietary Funds Statement of Net Assets December 31, 2004

| | | Business Tv | pe Activities-Ente | erorise Funds | | Governmental Activities |
|-------------------------------------------------|-----------------|--------------|--------------------|----------------------|--------------|----------------------------|
| | Medical Care | Huron | Delinquent Tax | Other Proprietary | | Internal Service |
| | Facility | Transit | Revolving | Funds | Total | Fund |
| Assets: | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 2,026,276 | \$ 617,309 | \$ 1,224,249 | \$ - | \$ 3,867,834 | \$ - |
| Investments | 785,974 | 141,626 | 3,226,958 | - | 4,154,558 | - |
| Accounts receivable | | | | | | |
| Property taxes | 676,200 | - | 399,569 | - | 1,075,769 | - |
| Interest and accounts | 939,297 | 28,315 | 694 | - | 968,306 | 100,515 |
| Due from other funds | 473,148 | - | 3,626 | 12,804 | 489,578 | 867,218 |
| Due from other governmental units | - | 45,197 | 27,722 | - | 72,919 | - |
| Inventories | 33,697 | 5,329 | - | - | 39,026 | - |
| Prepaid expenses | 94,512 | 30,742 | | | 125,254 | 179,857 |
| Total current assets | 5,029,104 | 868,518 | 4,882,818 | 12,804 | 10,793,244 | 1,147,590 |
| Non-current assets: | | | | | | |
| Cash and cash equivalents | 994,147 | - | - | - | 994,147 | - |
| Delinquent taxes | | <u> </u> | 758,495 | | 758,495 | _ |
| Total non-current assets | 994,147 | - | 758,495 | - | 1,752,642 | - |
| Property, plant and equipment: | | | | | | |
| Property, plant and equipment | 8,400,814 | 4,109,736 | - | - | 12,510,550 | - |
| Less accumulated depreciation | (4,436,186) | (2,780,578) | | | (7,216,764) | - |
| Total property, plant and equipment | | | | | | |
| (net of accumulated depreciation) | 3,964,628 | 1,329,158 | | | 5,293,786 | |
| Total assets | 9,987,879 | 2,197,676 | 5,641,313 | 12,804 | 17,839,672 | 1,147,590 |
| Liabilities: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 759,968 | 115,135 | 509 | 2,110 | 877,722 | 574,748 |
| Due to other governmental units | 18,609 | - | 3,759 | - | 22,368 | - |
| Deferred revenue | 676,200 | 84,555 | - | - | 760,755 | 109,045 |
| General obligation bonds | 190,000 | | 1,002,273 | | 1,192,273 | |
| Total current liabilities | 1,644,777 | 199,690 | 1,006,541 | 2,110 | 2,853,118 | 683,793 |
| Long-term liabilities (less current portions | | | | | | |
| General obligation bonds | 761,980 | | - | | 761,980 | |
| Total liabilities | 2,406,757 | 199,690 | 1,006,541 | 2,110 | 3,615,098 | 683,793 |
| Net assets: | | | | | | |
| Investment in capital assets, net Restricted | 3,012,648 | 1,329,158 | - | ~ | 4,341,806 | - |
| Foreclosure | _ | _ | 206,445 | _ | 206,445 | _ |
| Tax administration | - | - | 128,300 | - | 128,300 | - - |
| Unrestricted | 4,568,474 | 668,828 | 4,300,027 | 10,694 | 9,548,023 | 463,797_ |
| Total net assets | \$ 7,581,122 | \$ 1,997,986 | \$ 4,634,772 | \$ 10,694 | \$14,224,574 | \$ 463,797 |

Reconciliation of Net Assets on the Statement of Net Assets for Proprietary Funds to Net Assets of Business Type Activities on the Statement of Net Assets December 31, 2004

| Fund balances, business type activities | \$ 14,224,574 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the net revenue (expense) of the internal service funds | |
| is reported with business-type activities. | 59,433 |
| Net assets, business type activities | \$ 14,284,007 |

Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended December 31, 2004

| | Medical Care Facility | Business Ty Huron Transit | vpe Activities-Ent Delinquent Tax Revolving | erprise Funds Other Proprietary Funds | Total | Governmental Activities Internal Service Fund |
|-------------------------------------------------------------------|-----------------------------|---------------------------------|------------------------------------------------------|------------------------------------------------|--------------|-----------------------------------------------|
| | | | | | . • • | |
| Operating revenues: | | | | | | |
| Federal grants | \$ - | \$ 147,497 | \$ - | \$ - | \$ 147,497 | \$ - |
| State grants | - | 565,846 | - | - | 565,846 | - |
| Charges for services | 7,179,227 | 283,645 | 437,846 | 37,609 | 7,938,327 | - |
| Other | | | 5,504_ | <u> </u> | 5,504 | 2,923,523 |
| Total operating revenues | 7,179,227 | 996,988 | 443,350 | 37,609 | 8,657,174 | 2,923,523 |
| Operating expenses: | | | | | | |
| Personal services | 5,403,406 | 933,248 | 45,547 | - | 6,382,201 | 2,644,514 |
| Contractual services | 682,187 | 57,138 | - | _ | 739,325 | _,0 ,0 |
| Supplies | 699,732 | 195,472 | 6.988 | 34,858 | 937,050 | - |
| Utilities | 161,279 | 25,513 | - | , | 186,792 | _ |
| Depreciation | 238,070 | 461,389 | _ | _ | 699,459 | _ |
| Other services and charges | 239,589 | 136,305 | 66,499 | 5,116 | 447,509 | _ |
| Debt service | 200,000 | 100,000 | 00,400 | 0,110 | 447,000 | |
| Interest | | | 23,302 | | 23,302 | |
| Total operating expenses | 7,424,263 | 1,809,065 | 142,336 | 39,974 | 9,415,638 | 2,644,514 |
| Operating income (loss) | (245,036) | (812,077) | 301,014 | (2,365) | (758,464) | 279,009 |
| Non-operating revenues (expenses): | | | | | | |
| Taxes | 648,356 | 259,149 | _ | _ | 907,505 | _ |
| State aid | 171,976 | 2,503 | _ | - | 174,479 | _ |
| Interest | 46,116 | 8,149 | 69,803 | - | 124,068 | 4,583 |
| Interest and fees on capital | , | 5, | 55,555 | | 12 1,000 | ,,000 |
| asset-related debt | (54,514) | | | | (54,514) | |
| Total non-operating revenues (expenses) | 811,934 | 269,801 | 69,803 | | 1,151,538 | 4,583 |
| Not income (loca) hefere enerating transfers | | | | | | |
| Net income (loss) before operating transfers and special items | 566,898 | (542,276) | 370,817 | (2,365) | 393,074 | 283,592 |
| | 000,000 | (0.2,2.0) | 0.0,0.7 | (2,000) | 000,077 | 200,002 |
| Operating transfers out | - | - | (304,813) | - | (304,813) | - |
| Capital grants | | 237,673 | | | 237,673 | |
| Net income (loss) | 566,898 | (304,603) | 66,004 | (2,365) | 325,934 | 283,592 |
| Net assets, beginning of year | 7,014,224 | 2,302,589 | 4,568,768 | 13,059 | 13,898,640 | 180,205 |
| Net assets, end of year | \$ 7,581,122 | \$ 1,997,986 | \$ 4,634,772 | \$ 10,694 | \$14,224,574 | \$ 463,797 |

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities December 31, 2004

| Net change in fund balances, business type activities | \$ 325,934 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the net revenue (expense) of the internal service funds | |
| is reported with business-type activities. | 28,929 |
| Change in net assets, business type activities | \$ 354,863 |

Proprietary Funds Statement of Cash Flows December 31, 2004

| | | Business Tv | pe Activities-Ente | erorise Funds | | Governmental Activities |
|----------------------------------------------------------------|-----------------------------|------------------------|--------------------------------|-------------------------------|--------------------------|-----------------------------|
| | Medical Care Facility | Huron Transit | Delinquent Tax Revolving | Other Proprietary Funds | Total | Internal Service Fund |
| Cash flows from operating activities: | | | | | | |
| Cash receipts from customers | \$ 7,384,886 | \$ 1,000,507 | \$ 486,440 | \$ 37,609 | \$ 8,909,442 | \$ 2,560,550 |
| Cash payments to employees | (5,373,975) | (933,248) | - | - | (6,307,223) | - |
| Cash payments to suppliers Other payments | (1,911,160) | (276,577) (136,305) | (117,874) | (40,406) | (2,346,017) (136,305) | (2,565,133) |
| Internal activity | | | | 2,797 | 2,797 | |
| Net cash provided (used) by operating activities | 99,751 | (345,623) | 368,566 | - | 122,694 | (4,583) |
| Cash flows from noncapital | | | | | | |
| financing activities: | | | | | | |
| State aid received | 171,976 | 2,503 | - | - | 174,479 | - |
| Property taxes | 648,356 | 259,149 | | - | 907,505 | - |
| Interfund borrowings - net | - | - | 7,749 | - | 7,749 | - |
| Operating transfers out | - | - | (304,813) | - | (304,813) | - |
| Proceeds from bonds issued | - | - | 2,900,000 | - | 2,900,000 | - |
| Payments of bonds | - | - | (2,878,727) | - | (2,878,727) | - |
| Interest paid Noncapital grants received | - | 30,076 | (23,302) | - | (23,302) 30,076 | - |
| | | | | | | |
| Net cash provided (used) by noncapital financing activities | 820,332 | 291,728 | (299,093) | | 012.067 | |
| noncapital infancing activities | 020,332 | 291,720 | (299,093) | - | 812,967 | - |
| Cash flows from capital and related financing activities: | | | | | | |
| Capital grants received | - | 237,673 | _ | _ | 237,673 | _ |
| Acquisition and construction of capital asset | (82,904) | (237,673) | _ | _ | (320,577) | _ |
| Principal paid on capital debt and leases | (185,000) | - | - | - | (185,000) | _ |
| Interest paid on capital debt and leases | (36,286) | | | | (36,286) | - |
| Net cash used by capital and | | | | | | |
| related financing activities | (304,190) | - | - | - | (304,190) | - |
| Cash flows from investing activities: | | | | | | |
| Proceeds from sales and maturities | | | | | | |
| of investments | - | - | 1,064,933 | - | 1,064,933 | - |
| Investment income | 46,116 | 8,149 | 69,803 | - | 124,068 | 4,583 |
| Purchases of investments | (9,437) | (1,005) | (1,971,913) | - | (1,982,355) | - |
| Purchases of taxes receivable | - | - | (3,204,718) | - | (3,204,718) | - |
| Collections of taxes receivable | | | 3,175,156 | | 3,175,156 | |
| Net cash provided (used) by investing activities | 36,679 | 7,144 | (866,739) | | (922.046) | 4 502 |
| activities | | | (000,733) | | (822,916) | 4,583 |
| Net increase (decrease) in cash & cash | | | | | | |
| equivalents for the year | 652,572 | (46,751) | (797,266) | - | (191,445) | - |
| Cash and cash equivalents, beginning of year | 2,367,851 | 664,060 | 2,021,515 | | 5,053,426 | |
| Cash and cash equivalents, end of year | \$ 3,020,423 | \$ 617,309 | \$ 1,224,249 | \$ - | \$ 4,861,981 | \$ - |
| outh and outh oquivalents, end of year | Ψ 0,020,423 | Ψ 017,309 | Ψ 1,224,243 | Ψ - | Ψ 4,001,301 | Ψ - |

Proprietary Funds Statement of Cash Flows December 31, 2004 (Continued)

| | Business Type Activities-Enterprise Funds | | | | Governmental Activities | |
|--------------------------------------------------|-------------------------------------------|--------------|------------|-------------|----------------------------|------------|
| | Medical | • | Delinquent | Other | | Internal |
| | Care | Huron | Tax | Proprietary | | Service |
| | Facility | Transit | Revolving | Funds | Total | Fund |
| Reconciliation of net income to net cash | | | | | | |
| provided (used) by operating activities: | | | | | | |
| Operating income (loss) for the year | (245,036) | (812,077) | 301,014 | (2,365) | (758,464) | 279,009 |
| Adjustments to reconcile operating income (lo | ss) | , , , | | , , | , , , | |
| to net cash provided (used) by operating activ | | | | | | |
| Depreciation expense | 238,070 | 461,389 | - | - | 699,459 | - |
| Interest paid | - | - | 23,302 | - | 23,302 | - |
| Change in assets and liabilities: | | | | | | |
| Receivables | 205,659 | 3,519 | 2,312 | - | 211,490 | (327,041) |
| Inventories | 926 | 1,737 | - | - | 2,663 | |
| Prepaid items | (5,465) | 9,078 | - | - | 3,613 | (33,691) |
| Due from other governmental units | - | - | 40,778 | - | 40,778 | - |
| Due from other funds | (195,212) | - | - | 2,797 | (192,415) | - |
| Accounts payable | 110,911 | 168 | 319 | (432) | 110,966 | 79,381 |
| Deferred revenue | - | - | - | - | - | (2,241) |
| Due to other governmental units | (10,102) | (9,437) | 841_ | | (18,698) | |
| Net cash provided (used) by operating activities | \$ 99,751 | \$ (345,623) | \$ 368,566 | \$ - | \$ 122,694 | \$ (4,583) |

Agency Funds Statement of Fiduciary Net Assets December 31, 2004

| | Agency Funds |
|-------------------------------|-----------------|
| Assets | |
| Cash and cash equivalents | \$ 1,253,946 |
| Due from other funds | 638,396 |
| Due from other governments | 375 |
| Total assets | \$ 1,892,717 |
| Liabilities | |
| Accounts payable | \$ 55,353 |
| Undistributed tax collections | 1,490,705 |
| Due to other governments | 346,659 |
| Total liabilities | \$ 1,892,717 |

| | <u>C</u> | Road ommission | Department of Public Works | | _ | Economic Development Corporation | | |
|---------------------------------------|----------|-------------------|----------------------------------|----|-----------|----------------------------------|----|-------------|
| Assets: | æ | 1 020 500 | | \$ | 178,302 | | \$ | 77,004 |
| Cash and cash equivalents Investments | \$ | 1,039,588 | | Φ | 170,302 | | Ψ | 77,004 - |
| Receivables | | 4,193,198 | | | _ | | | 12,705 |
| Due from primary government | | 360,001 | | | _ | | | _ |
| Due from other component units | | 195,194 | | | - | | | - |
| Due from other governmental units | | · - | | | 5,472,308 | | | - |
| Inventories | | 650,976 | | | - | | | - |
| Prepaid expenses | | 44,827 | | | - | | | - |
| Capital assets (net of accumulated | | | | | | | | |
| depreciation) | | 59,688,333 | | | <u> </u> | - | | |
| Total assets | | 66,172,117 | | | 5,650,610 | | | 89,709 |
| Liabilities: | | | | | | | | |
| Payables and current liabilities | | 300,802 | | | - | | | 3,854 |
| Accrued interest | | 33,703 | | | 30,006 | | | - |
| Due to other component units | | - | | | - | | | - |
| Due to other governmental units | | 7,542 | | | - | | | - |
| Advance from primary government | | - | | | - | | | - |
| Deferred revenue | | 1,214,462 | | | - | | | - |
| Non-current liabilities | | 0.40.005 | | | | | | |
| Advance from State | | 242,395 | | | 400.000 | | | - |
| Due within one year | | 334,636 | | | 420,000 | | | - |
| Due in more than one year | | 1,129,775 | | | 5,022,302 | | | - |
| Deferred revenue | | | | | <u>-</u> | - | | |
| Total liabilities | | 3,263,315 | | | 5,472,308 | | | 3,854 |
| Net assets: | | | | | | | | |
| Investment in capital assets, net of | | | | | | | | |
| related liabilities | | 58,769,007 | | | - | | | - |
| Restricted | | | | | | | | |
| Capital projects | | - | | | 178,135 | | | - |
| Debt service | | - | | | 167 | | | - |
| Risk management | | - | | | - | | | - |
| Unrestricted | | 4,139,795 | | | | - | | 85,855_ |
| Total net assets | \$ | 62,908,802 | | \$ | 178,302 | = | \$ | 85,855 |

Discretely Presented Component Units Combining Statement of Net Assets December 31, 2004

| Huron Behavioral | Drain | |
|------------------------------------|--------------------------------|----------------------------------------|
| Health | Commissioner | Total |
| \$ 4,164,942 220,484 110,295 | \$ 4,866,027 - 9,578,479 | \$ 10,325,863 220,484 13,894,677 |
| - | - | 360,001 |
| • | - | 195,194 |
| 140,489 | - | 5,612,797 |
| 407.000 | - | 650,976 |
| 197,683 | - | 242,510 |
| 543,928 | 17,378,764 | 77,611,025 |
| 5,377,821 | 31,823,270 | 109,113,527 |
| 321,878 | _ | 626,534 |
| - | 67,050 | 130,759 |
| - | 195,194 | 195,194 |
| 315,156 | - | 322,698 |
| - | 217,000 | 217,000 |
| - | 2,201,427 | 3,415,889 |
| - | - | 242,395 |
| - | 1,343,535 | 2,098,171 |
| 412,063 | 8,249,068 | 14,813,208 |
| | 7,391,176 | 7,391,176 |
| 1,049,097 | 19,664,450 | 29,453,024 |
| 543,928 | 7,786,160 | 67,099,095 |
| 261,653 | - | 439,788 |
| | - | 167 |
| 33,746 | 4 270 660 | 33,746 |
| 3,489,397 | 4,372,660 | 12,087,707 |
| \$ 4,328,724 | \$ 12,158,820 | \$ 79,660,503 |

| | | Program Revenues | | |
|--------------------------------------------------------------------------|------------------------|-------------------------|------------------------------------------|--|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | |
| Road commission | | | | |
| Governmental activities: Highways and streets Interest on long term debt | \$ 9,909,332 54,474 | \$ 1,112,619 - | \$ 10,079,603 | |
| Total road commission | 9,963,806 | 1,112,619 | 10,079,603 | |
| Department of public works | | | | |
| Governmental activities: Interest on long term debt | 273,974 | 273,974 | - | |
| Business type activities: Water and sewer | 707,300 | 707,302 | | |
| Total department of public works | 981,274 | 981,276 | - | |
| Economic development corporation | | | | |
| Governmental activities: Economic development | 260,697 | 121,152 | 63,434 | |
| Total economic development corporation | 260,697 | 121,152 | 63,434 | |
| Huron behavioral health | | | | |
| Governmental activities: Health and welfare | 7,851,269 | 7,468,029 | 151,461 | |
| Total huron behavioral health | 7,851,269 | 7,468,029 | 151,461 | |
| Drain commissioner | | | | |
| Governmental activities: Public works Interest on long term debt | 1,118,845 505,883 | <u> </u> | 2,132,164 | |
| Total drain commissioner | 1,624,728 | | 2,132,164 | |
| Total component units | \$ 20,681,774 | \$ 9,683,076 | \$ 12,426,662 | |

General revenues:

Taxes

Grants and contributions not restricted to specific programs Unrestricted investment income Restricted investment income Miscellaneous revenues Gain on sale of capital assets

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

Discretely Presented Component Units Combining Statement of Activities For the Year Ended December 31, 2004

| | | Net (Expense) Revenue | and Change in Net Asse | ets | | |
|--------------------------------------------|------------------|----------------------------------|--------------------------------------|------------------------|------------------------------------------------|--|
| Road Department of Public Commission Works | | Economic Development Corporation | Huron Behavioral Health | Drain Commissioner | Total | |
| \$ 1,282,890 (54,474) | \$ - | \$ - - | \$ - | \$ <u>-</u> | \$ 1,282,890 (54,474) | |
| 1,228,416 | - | - | - | - | 1,228,416 | |
| - | - | - | - | - | - | |
| | 2 | | | | 2 | |
| - | 2 | - | - | - | 2 | |
| | | (76,111) | <u>-</u> _ | | (76,111) | |
| - | - | (76,111) | - | - | (76,111) | |
| | <u> </u> | | (231,779) | <u> </u> | (231,779) | |
| - | - | - | (231,779) | - | (231,779) | |
| - | <u>-</u> | <u>-</u> | - | 1,013,319 (505,883) | 1,013,319 (505,883) | |
| | | - _ | | 507,436 | 507,436 | |
| | | | | | 1,427,964 | |
| 1,017,332 | - | - | - | - | 1,017,332 | |
| - 14,887 - - 2,924 | 1,973 - - | 70,000 1,237 - - | 224,368 69,402 1,547 21,069 | 41,600 - - | 294,368 129,099 1,547 21,069 2,924 | |
| 1,035,143 | 1,973 | 71,237 | 316,386 | 41,600 | 1,466,339 | |
| 2,263,559 | 1,975 | (4,874) | 84,607 | 549,036 | 2,894,303 | |
| 60,645,243 | 1,373 176,327 | 90,729 | 4,244,117 | 11,609,784 | 76,766,200 | |
| \$ 62,908,802 | \$ 178,302 | \$ 85,855 | \$ 4,328,724 | \$ 12,158,820 | \$ 79,660,503 | |

INDEX

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Notes to Combined Financial Statements December 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Huron County, Michigan (the "County") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting Entity

The County of Huron, Michigan, covers an area of approximately 824 square miles, with the County seat located in the City of Bad Axe, Michigan. The County operates under an elected Board of Commissioners (7 members) and provides services to its approximately 36,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture.

These financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Blended Component Units

The *Huron County Building Authority* is governed by a three-person board appointed by the County Board. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings and other capital improvements.

The *Huron County Transit Corporation* is a separate not-for-profit corporation governed by a six-person board appointed by the County Board. Its sole purpose is to operate the County's transit activities through an operations contract with the County. All transit revenues including grants, taxes and service charges are revenues of the County Transit Fund. In order to not be misleading, this fund has been consolidated and is included in the primary government's enterprise funds.

Discretely Presented Component Units

The *Huron County Road Commission* maintains and constructs County roads and bridges. The County provides subsidies to the Road Commission.

The **Department of Public Works** (DPW) funds are County agencies created to finance and construct water and/or sewage disposal systems for other governments within the County. The DPW funds issue bonds for the construction of such systems. The DPW then enters into contracts with these governments for the repayments of the bonds. These contracts are secured by the full faith and credit of these governments.

The *Drain funds* of the County include several drainage districts which are separate legal entities. Drain funds are consolidated and presented as one fund. The Board of County Road Commissioners is the appointed governing body of the Drain Funds.

The *Economic Development Corporation* (EDC) is a legally separate, not-for-profit corporation which provides economic development assistance to other County governments. The County provides subsidies to the EDC.

Huron Behavioral Health is an Authority that operates under the provisions of Act 258, Public Acts of 1974 (The Michigan Mental Health Code), as amended. The County Board of Commissioners appoints the twelve-person board, can remove the appointed members at will, can dissolve the Authority and provides annual appropriations to the Authority.

Complete financial statements for each of the discretely presented component units can be obtained directly from the County Treasurer's office or the administration offices at the following locations:

Huron County Road Commission 417 South Hanselman Street Bad Axe, MI 48413

Huron County Department of Public Works 250 East Huron Avenue Bad Axe, MI 48413

Economic Development Corporation 250 East Huron Avenue Bad Axe, MI 48413 Drain Commission 417 South Hanselman Street Bad Axe. MI 48413

Huron Behavioral Health Services 1108 S. Van Dyke Bad Axe, MI 48413

Separate audited financial statements for the DPW funds and the Economic Development Corporation were not issued.

Funds With Another Year End

All of the County funds and component units operate and are reported on a December 31 year end with the exception of the Department of Human Services, Health Department fund, Transit funds, and Huron Behavioral Health Services which operate and are reported as of September 30.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state shared revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accruals as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Health Department Fund* is used to account for the operations of providing health protection and health services. Financing is provided by state and federal grants, charges for services and general fund appropriations.

The *Primary Road Fund* is used to report voted property taxes collected for road improvements. The taxes collected are remitted to the various local governmental units upon the request of those units.

The Revenue Reserve Fund is mandated by the State of Michigan and accounts for property tax collections to serve as a substitute for state revenue sharing payments. This substitute funding mechanism involves a gradual shift of County property tax millage from a winter tax levy to a summer tax levy.

The County reports the following major proprietary funds:

The *Medical Care Facility* is used to account for operations that provide medical care services where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The *Transit Authority* is used to account for the operation of a County wide transportation system.

The *Delinquent Tax Revolving Fund* is used to account for the payment to each local unit of government within the County of the delinquent real property taxes outstanding as of March 1, of each year. The fund is also used to account for the collection of those delinquent taxes along with penalties and interest.

Additionally, the government reports the following fund types:

The Internal Service Fund is used to account for the charges for services from funds and departments for self-funded workers compensation and health care, and to account for the payment of related insurance claims and expenses.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for this business type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal on-going operations. The principal operating revenues for the Enterprise and Internal Services Funds are charges to customers for sales and services. Operating expenses from Enterprise and Internal Service Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the County may deposit additional cash at any time and effectively may withdraw cash at anytime without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations for the U. S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance restricted account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property receivables are shown net of an allowance for uncollectible accounts.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased except for the Road Commission component unit which values inventories at average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities columns in the government-wide financial statements. For the County, infrastructure exists in the Road Commission and Drain Commission component units. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years except for the Huron County Behavioral Health Authority which capitalizes assets with an individual cost of \$1,000 or more and the Huron County Road Commission equipment which is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

| | Primary Government | Road Commission | Department of Public Works | Drains | Huron Behavioral <u>Health</u> |
|-----------------------|-----------------------|--------------------|----------------------------|--------|--------------------------------------|
| Building/Improvements | 20 - 45 | 25 - 50 | - | - | 20 - 30 |
| Drain system | - | - | - | 50 | - |
| Road system/Other | | | | | |
| information | - | 5 - 50 | - | - | - |
| Equipment | 5 - 15 | 5 - 20 | 5 - 10 | - | 3 - 10 |

5. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

8. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the budgetary data reflected in the financial statements.

- 1) Prior to November 1, County departments, in conjunction with the Treasurer's Office, prepare and submit their proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- 2) A Public Hearing is conducted to obtain taxpayers' comments.
- 3) Prior to December 31, the budgets are legally enacted through passage of a Board of Commissioner's resolution.
- 4) The budgets are legally adopted at the activity level for the General Fund and the functional level for the Special Revenue Funds, however for control purposes the budgets are maintained at the account level.
- 5) Formal budgetary integration is not employed for the Debt Service or Capital Projects Funds on an annual basis because effective budgetary control is achieved through project length financial plans.
- 6) The County does not employ encumbrance accounting as an expansion of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year end.
- 7) Budgeted amounts are reported as originally adopted, and as amended by the Board of Commissioners during the year.

Similar procedures are followed in the case of the component units included in the reporting entity of Huron County, except that the respective Administrator/Director of each performs the function described above rather than the County Treasurer. Budgetary comparisons have not been made for the component unit financial statements but are available in their separately issued component unit financial statements; however, a summary of expenditures in excess of appropriations for the component units budgetary funds is included below.

B. Excess of Expenditures over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The following over-expenditures were funded by available fund balance.

Excess of expenditures over appropriations in individual funds are as follows:

| Budget Actual Exces | _ |
|----------------------------------------|----------|
| <u> </u> | <u>s</u> |
| Primary government | |
| General fund | |
| Legislative \$ 213,082 \$ 213,084 \$ | 2 |
| Other 1,691,774 1,691,877 | 103 |
| Special revenue funds Health | |
| Health and welfare 2,280,944 2,340,198 | 9,254 |
| Probation officer compliance | |
| Judicial - 7,505 | 7,505 |
| Public improvement | |
| General government - 1,410 | 1,410 |
| Local correction officer's training | |
| Public safety - 7,371 | 7,371 |
| Airport | |
| Public works 446,570 513,706 | 7,136 |
| Law library | |
| Judicial 27,500 29,945 | 2,445 |
| Child care | |
| · · · · · · · · · · · · · · · · · · · | 4,365 |
| Veterans' trust | |
| Health and welfare 3,504 3,913 | 409 |

Component units

The component units (the Huron County Road Commission, the Department of Public Works, Debt Service Funds, and the Drain Debt Service Funds) adopt their budgets at the account level. Huron Behavioral Health adopts their budgets on a functional level. During the year ended December 31, 2004, the component units incurred expenditures in excess of the amounts appropriated as follows:

| | Final | | | | |
|--------|-----------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Budget | | | Actual | | Excess |
| | | | | | |
| \$ | 1,100,000 | \$ | 1,134,419 | \$ | 34,419 |
| | 1,650,000 | | 1,664,923 | | 14,923 |
| | 20,000 | | 30,408 | | 10,408 |
| | 850,000 | | 1,017,463 | | 167,463 |
| | 1,350,000 | | 1,360,281 | | 10,281 |
| | 700,000 | | 735,919 | | 35,919 |
| | 480,000 | | 500,747 | | 20,747 |
| | 54,000 | | 54,474 | | 474 |
| | | | | | |
| | 1,254,299 | | 1,256,436 | | 2,137 |
| | 5,095,236 | | 5,211,935 | | 116,699 |
| | 913,533 | | 967,711 | | 54,178 |
| | \$ | \$ 1,100,000 1,650,000 20,000 850,000 1,350,000 700,000 480,000 54,000 1,254,299 5,095,236 | \$ 1,100,000 \$ 1,650,000 20,000 850,000 700,000 480,000 54,000 1,254,299 5,095,236 | Budget Actual \$ 1,100,000 \$ 1,134,419 1,650,000 1,664,923 20,000 30,408 850,000 1,017,463 1,350,000 1,360,281 700,000 735,919 480,000 500,747 54,000 54,474 1,254,299 1,256,436 5,095,236 5,211,935 | Budget Actual \$ 1,100,000 \$ 1,134,419 \$ 1,650,000 1,664,923 20,000 30,408 850,000 1,017,463 1,350,000 1,360,281 700,000 735,919 480,000 500,747 54,000 54,474 |

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Authorized deposits and investments

Investments are carried at cost or fair value as explained in Note I, and are deposited in the name of the Huron County Treasurer. Act 217 PA 1982 as amended authorizes the County to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the County to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, certificates of deposit, savings accounts, or deposit accounts of a financial institution; investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118.

Carrying amount

At year end, the carrying amount of the County Reporting Entity's deposits and investments is \$25,561,532. The detail is as follows:

| | Primary Government | | Component Units | | Fiduciary Unit | | Reporting Entity |
|--------------------------------------|-----------------------|----|-----------------|----|-------------------|----|---------------------|
| Cash on hand | | | | | | | |
| Petty cash and cash on hand | \$ 2,400 | \$ | 50 | \$ | - | \$ | 2,450 |
| Deposits with financial institutions | | | | | | | |
| Checking/Money market | 5,148,999 | | 10,084,959 | | 1,253,932 | | 16,487,890 |
| Savings/Certificates of deposit | 6,488,636 | _ | 78,204 | | <u> </u> | | 6,566,840 |
| Total deposits | 11,637,635 | | 10,163,163 | | 1,253,932 | | 23,054,730 |
| Investments | | | | | | | |
| Commercial paper | 395,167 | | - | | - | | 395,167 |
| U.S. government securities | 1,016,999 | | 220,484 | | - | | 1,237,483 |
| Municipal investment funds | 709,038 | _ | 162,650 | | 14 | | 871,702 |
| Total investments | 2,121,204 | | 383,134 | | 14_ | | 2,504,352 |
| Grand total | \$ 13,761,239 | \$ | 10,546,347 | \$ | 1,253,946 | \$ | 25,561,532 |

Reconciliation to combined balance sheet

| | Primary Government | Component Units |
|------------------------------------------|-----------------------|-----------------|
| Reported as cash and cash equivalents | | |
| Petty cash and cash on hand | \$ 2,400 | 50 \$ |
| Cash in checking/money market | 5,148,99 | 10,084,959 |
| Cash in savings/certificates of deposit | 2,283,74 | 2 78,204 |
| Municipal investment funds | 709,03 | 3 162,650 |
| U.S. government securities | 366,999 | 9 |
| Total cash and cash equivalents reported | | |
| on the combined balance sheet | 8,511,178 | 3 10,325,863 |
| Reported as investments | | |
| Certificates of deposit | 4,204,894 | - |
| Commercial paper | 395,16° | 7 - |
| U.S. government securities | 650,000 | 220,484 |
| Investments with deferred compensation | | |
| administrator | | <u> </u> |
| Total investments reported on the | | |
| combined balance sheet | 5,250,06 | 220,484 |
| Grand total | \$ 13,761,23 | 9 \$ 10,546,347 |

Deposits with financial institutions

Michigan Public Acts authorize the units of local government in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations. All deposits of the County are at federally insured banks in the State of Michigan in the name of the County.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

An element of the County cash structure is the common account which is utilized by most of the funds and component units within the reporting entity. The carrying amounts of the common checking accounts at December 31, 2004 is \$(86,061), all of which is held by primary government/fiduciary units.

The bank balance at December 31, 2004, is \$128,824. The bank balance of the common checking account was included as part of the primary government's demand deposits for the determination of FDIC insurance coverage.

The following summary of the deposits for the primary government and each component unit at December 31, 2004, are exclusive of petty cash and cash on hand:

| | | Carrying Amount | | Bank Balance | | FDIC Coverage | Jninsured/ collateralized |
|----------------------------------|-----------|--------------------|-----------|-----------------|-----------|------------------|------------------------------|
| Primary government/Fiduciary | \$ | 12,891,567 | \$ | 13,141,277 | \$ | 942,179 | \$ 12,199,098 |
| Component units | | | | | | | |
| Road Commission | | 1,039,538 | | 1,241,299 | | 200,000 | 1,041,299 |
| Department of Public Works | | 15,652 | | 15,652 | | 15,652 | - |
| Economic Development Corporation | | 77,004 | | 79,292 | | 79,292 | - |
| Huron Behavioral Health | | 4,164,943 | | 4,209,050 | | 1,076,783 | 3,132,267 |
| Drain Commissioner | | 4,866,027 | | 4,907,492 | | 300,000 | 4,607,492 |
| Total component units | | 10,163,164 | | 10,452,785 | | 1,671,727 | 8,781,058 |
| Total reporting entity | <u>\$</u> | 23,054,731 | <u>\$</u> | 23,594,062 | <u>\$</u> | 2,613,906 | \$ 20,980,156 |

The County believes that due to the dollar amounts of cash deposits and the limits of FDIC Insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk. The County uses only those financial institutions with an acceptable estimated risk level as depositories.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as deposits increased significantly. As a result, the amount of uninsured and uncollateralized deposits were substantially higher at these peak periods than at year end.

Investments

County investments can be classified into three categories to give an indication of the level of risk assumed by the County. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agents in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent but not in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by the counterparty's trust department or agent, but not in the County's name. Market value is the market value of collateral securities or securities held by the County.

As of December 31, 2004, the investments of the primary government/fiduciary and each component unit are susceptible to the following risk categories as summarized in the following table:

| | Categories | | | | | | | | |
|------------------------------------|------------|-----------|----|---------|----|---|---|----|----------------------|
| | | 1 | | 2 | | 3 | | | rrying/Fair Value |
| Primary government/Fiduciary | | | | | | | | | |
| Risk categorized | | | | | | | | | |
| U.S. government securities | \$ | 1,010,909 | \$ | - | \$ | | - | \$ | 1,016,998 |
| Commercial paper | | 395,167 | | - | | | - | | 395,167 |
| Non-risk categorized | | | | | | | | | |
| Municipal investment funds | | | | | | | | | 709,052 |
| Total investments | | | | | | | | | 2,121,217 |
| Component unit | | | | | | | | | |
| Risk categorized | | | | | | | | | |
| Huron Behavioral Health | | | | | | | | | |
| U.S. government securities | | - | | 220,484 | | | - | | 220,484 |
| Non-risk categorized | | | | | | | | | |
| Department of public works | | | | | | | | | |
| Municipal investment funds | | | | | | | | | 162,650 |
| Total investments | | | | | | | | | 383,134 |
| Total reporting entity investments | | | | | | | | \$ | 2,504,351 |

B. Receivables

Receivables in the governmental and business type activities are as follows:

| | Governmental <u>Activities</u> | Business Type <u>Activities</u> |
|-------------------------------------------|--------------------------------|---------------------------------|
| Property taxes | \$ 7,782,889 | \$ 1,834,264 |
| Accounts and interest | 423,341 | 978,306 |
| Intergovernmental Federal/State | 375,348 | 72,919 |
| Less allowance for uncollectible accounts | (70,000) | (10,000) |
| | \$ 8,511,578 | \$ 2,875,489 |

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

| | <u>Unavailable</u> |
|------------------------------|--------------------|
| General fund | |
| Property taxes | \$ 4,137,759 |
| Grants | 62,110 |
| Non-major governmental funds | |
| Property taxes | 1,668,772 |
| Revolving loan | 250,972 |
| | \$ 6,119,613 |

C. Capital Assets

Primary government

Capital asset activity of the primary government for the year ended December 31, 2004 was as follows:

| | Ja | nuary 1, 2004 Balance | _ Ac | dditions | D | eletions_ | Dec | cember 31, 2004 Balance |
|---------------------------------------------|--------|--------------------------|------|-----------|----|-----------|-----|----------------------------|
| Governmental activities: | | | | | | | | |
| Capital assets, not being depreciated: | | | | | | | | |
| Land | \$ | 1,029,992 | \$ | - | \$ | - | \$ | 1,029,992 |
| Land improvements | | 2,764,356 | | 170,994 | | - | | 2,935,350 |
| Construction in progress | | | | 18,015 | | | | 18,015 |
| Total capital assets, not being depreciated | | 3,794,348 | | 189,009 | | - | | 3,983,357 |
| Capital assets, being depreciated: | | | | | | | | |
| Buildings | | 10,154,065 | | - | | - | | 10,154,065 |
| Campsite improvements | | 1,199,938 | | 13,107 | | - | | 1,213,045 |
| Airport runway properties | | 977,476 | | 242,060 | | - | | 1,219,536 |
| Machinery and equipment | | | | | | | | |
| General | | 412,469 | | 43,254 | | - | | 455,723 |
| Emergency | | 1,707,723 | | _ | | - | | 1,707,723 |
| Marine | | 196,837 | | 5,550 | | - | | 202,387 |
| Health | | 217,697 | | 11,059 | | - | | 228,756 |
| Parks | | 159,817 | | 5,423 | | _ | | 165,240 |
| Vehicles | | | | | | | | |
| General | | 665,307 | | 54,675 | | - | | 719,982 |
| Health | | 137,741 | | 44,004 | | 47,170 | | 134,575 |
| Total capital assets being depreciated | | 15,829,070 | | 419,132 | | 47,170 | | 16,201,032 |
| Less accumulated depreciation for: | | | | | | | | |
| Buildings | | 3,771,707 | | 245,313 | | - | | 4,017,020 |
| Campsite improvements | | 478,421 | | 44,437 | | - | | 522,858 |
| Airport runway properties | | 436,708 | | 63,306 | | - | | 500,014 |
| Machinery and equipment | | | | | | | | |
| General | | 258,930 | | 50,433 | | - | | 309,363 |
| Emergency | | 1,186,492 | | 179,322 | | - | | 1,365,814 |
| Marine | | 165,182 | | 8,706 | | - | | 173,888 |
| Health | | 156,245 | | 18,057 | | - | | 174,302 |
| Parks | | 47,856 | | 6,557 | | - | | 54,413 |
| Vehicles | | | | | | | | |
| General | | 487,985 | | 79,531 | | - | | 567,516 |
| Health | | 123,694 | | 11,254 | | 47,170 | | 87,778 |
| Total accumulated depreciation | | 7,113,220 | | 706,916 | | 47,170 | | 7,772,966 |
| Total capital assets being depreciated, net | | 8,715,850 | | (287,784) | | | | 8,428,066 |
| Governmental activities capital assets, net | \$ | 12,510,198 | \$ | (98,775) | \$ | <u> </u> | \$ | 12,411,423 |

| | January 1, 2004 <u>Balance</u> | Additions | Deletions | December 31, 2004 Balance |
|---------------------------------------------|-----------------------------------|----------------|-----------|---------------------------|
| Business type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 17,50 | 0 \$ - | \$ - | \$ 17,500 |
| Total capital assets, not being depreciated | 17,50 | - | - | 17,500 |
| Capital assets, being depreciated: | | | | |
| Buildings | 8,485,75 | 2 48,773 | - | 8,534,525 |
| Land improvements | 98,25 | 0 11,675 | - | 109,925 |
| Machinery and equipment | 1,185,46 | 8 53,785 | - | 1,239,253 |
| Vehicles | 2,403,00 | 7 206,344 | | 2,609,351 |
| Total capital assets being depreciated | 12,172,47 | 7 320,577 | - | 12,493,054 |
| Less accumulated depreciation for: | | | | |
| Buildings | 4,047,689 | 9 251,944 | - | 4,299,633 |
| Land improvements | 98,25 | 0 - | - | 98,250 |
| Machinery and equipment | 893,20 | 8 57,470 | - | 950,678 |
| Vehicles | 1,478,16 | 2 390,045 | | 1,868,207 |
| Total accumulated depreciation | 6,517,30 | 9 699,459 | | 7,216,768 |
| Total capital assets being depreciated, net | 5,655,16 | 8 (378,882) | | 5,276,286 |
| Business activities capital assets, net | \$ 5,672,66 | 8 \$ (378,882) | \$ - | \$ 5,293,786 |

Depreciation expense charged to functions/programs of the primary government for the year ended December 31, 2004 is as follows:

Governmental activities:

| Legislative | \$ 11,575 |
|-------------------------------------------------------|------------|
| Judicial | 34,924 |
| General government | 74,362 |
| Public safety | 353,348 |
| Public works | 63,306 |
| Health and welfare | 66,052 |
| Recreation and cultural | 103,349 |
| Total depreciation expense - governmental activities | \$ 706,916 |
| Business-type activities: | |
| Medical care facility | \$ 238,070 |
| Transit | 461,389 |
| | |
| Total depreciation expense - business type activities | \$ 699,459 |

Discretely Presented Component Units

Drain Commission - Activity for the Drain Commission for the year ended December 31, 2004, was as follows:

| | Jar | nuary 1, 2004 Balance | Additions | Deletions | Dec | ember 31, 2004 Balance |
|----------------------------------------------|-----|--------------------------|-------------|------------|-----|---------------------------|
| Capital assets, not being depreciated: | | | | | | _ |
| Land improvements | \$ | 2,349,213 | \$ - | \$ - | \$ | 2,349,213 |
| Construction in progress | | 593,222 | 32,060 | 534,796 | | 90,486 |
| Total capital assets, not being | | | | | | |
| depreciated | | 2,942,435 | 32,060 | 534,796 | | 2,439,699 |
| Capital assets, being depreciated: | | | | | | |
| Drainage systems | | 21,882,804 | 651,427 | - | | 22,534,231 |
| Less accumulated depreciation for: | | | | | | |
| Drainage systems | | (6,843,288) | (751,878) | | | (7,595,166) |
| Total capital assets, being depreciated, net | | 15,039,516 | (100,451) | | | 14,939,065 |
| Governmental activity capital assets, net | \$ | 17,981,951 | \$ (68,391) | \$ 534,796 | \$ | 17,378,764 |

Depreciation expense for 2004 was \$751,878.

Road Commission - Activity for the Road Commission for the year ended December 31, 2004, was as follows:

| | | ary 1, 2004 alance | A | dditions | Deletio | ns_ | Dece | mber 31, 2004 Balance |
|----------------------------------------------|-------------|-----------------------|----|-----------|---------|------------|------|--------------------------|
| Capital assets, not being depreciated: | | | | | | | | |
| Land | \$ | 8,531,836 | \$ | 532,384 | \$ | - | \$ | 9,064,220 |
| Land improvements | | 88,288 | | | | | | 88,288 |
| Total capital assets, not being | | | | | | | | |
| depreciated | | 8,620,124 | | 532,384 | | - | | 9,152,508 |
| Capital assets, being depreciated: | | | | | | | | |
| Buildings and improvements | | 1,310,775 | | - | | - | | 1,310,775 |
| Road equipment | | 5,914,524 | | 585,280 | 34, | 468 | | 6,465,336 |
| Shop equipment | | 94,666 | | - | | - | | 94,666 |
| Office equipment | | 93,488 | | 11,018 | 7, | 509 | | 96,997 |
| Engineering equipment | | 99,204 | | - | | - | | 99,204 |
| Yard and storage | | 424,423 | | - | | - | | 424,423 |
| Infrastructure | | | | | | | | |
| Roads | | 59,747,521 | | 5,750,486 | 4,331, | 392 | | 61,166,615 |
| Bridges | | 21,367,225 | | 1,099,781 | | - | | 22,467,006 |
| Depletable assets | | | | | | | | |
| Gravel pits | | 90,453 | | | | | | 90,453 |
| Total capital assets being depreciated | | 89,142,279 | | 7,446,565 | 4,373, | 369 | | 92,215,475 |
| Less accumulated depreciation for: | | | | | | | | |
| Buildings and improvements | | 859,243 | | 37,009 | | - | | 896,252 |
| Road equipment | | 4,744,762 | | 499,907 | 34, | 468 | | 5,210,201 |
| Shop equipment | | 49,175 | | 6,245 | | - | | 55,420 |
| Office equipment | | 66,151 | | 9,504 | 6, | 048 | | 69,607 |
| Engineering equipment | | 63,569 | | 8,968 | | - | | 72,537 |
| Yard and storage | | 207,432 | | 19,691 | | - | | 227,123 |
| Infrastructure | | | | | | | | |
| Roads | | 29,278,260 | | 5,013,925 | 4,331, | 392 | | 29,960,793 |
| Bridges | | 4,638,403 | | 471,198 | | - | | 5,109,601 |
| Depletable assets | | | | | | | | |
| Gravel pits | | 78,116 | | | | | | 78,116 |
| | | 39,985,111 | _ | 6,066,447 | 4,371, | 908 | | 41,679,650 |
| Total capital assets, being depreciated, net | | 49,157,168 | | 1,380,118 | 1, | 461 | | 50,535,825 |
| Governmental activity capital assets, net | \$ | 57,777,292 | \$ | 1,912,502 | \$ 1, | <u>461</u> | \$ | 59,688,333 |

Depreciation expense for 2004 was \$6,066,447.

Huron Behavioral Health - Activity for Huron Behavioral Health for the year ended December 31, 2004, was as follows:

| | ary 1, 2004 alance | Additions | | Additions | | Additions | | Additions | | D | Deletions | | mber 31, 2004 Balance |
|----------------------------------------------|-----------------------|-----------|-----------|-----------|---------|-----------|-----------|-----------|--|---|-----------|--|--------------------------|
| Capital Assets, not being depreciated: | | | | | | | | | | | | | |
| Land | \$ 25,000 | \$ | - | \$ | - | \$ | 25,000 | | | | | | |
| Capital assets, being depreciated: | | | | | | | | | | | | | |
| Buildings | 193,500 | | - | | - | | 193,500 | | | | | | |
| Land improvements | 13,075 | | - | | - | | 13,075 | | | | | | |
| Building improvements | 48,124 | | - | | - | | 48,124 | | | | | | |
| Transportation equipment | 610,902 | | 18,995 | | - | | 629,897 | | | | | | |
| Computer equipment | 279,320 | | 3,090 | | 86,077 | | 196,333 | | | | | | |
| Office equipment | 272,945 | | | | 14,101 | | 258,844 | | | | | | |
| Total capital assets being depreciated | 1,417,866 | | 22,085 | | 100,178 | | 1,339,773 | | | | | | |
| Less accumulated depreciation for: | | | | | | | | | | | | | |
| Buildings | 13,374 | | 4,337 | | - | | 17,711 | | | | | | |
| Land improvements | - | | 327 | | - | | 327 | | | | | | |
| Building improvements | 1,404 | | 1,203 | | - | | 2,607 | | | | | | |
| Transportation equipment | 402,780 | | 81,375 | | - | | 484,155 | | | | | | |
| Computer equipment | 239,027 | | 21,532 | | 86,077 | | 174,482 | | | | | | |
| Office equipment | 132,322 | | 21,672 | | 12,431 | | 141,563 | | | | | | |
| | 788,907 | | 130,446 | | 98,508 | | 820,845 | | | | | | |
| Total capital assets, being depreciated, net | 628,959 | | (108,361) | | 1,670 | | 518,928 | | | | | | |
| Governmental activity capital assets, net | \$ 653,959 | \$ | (108,361) | \$ | 1,670 | \$ | 543,928 | | | | | | |

D. Payables

Payables in the governmental and business type activities are as follows:

| | Governmen Activities | | | iness Type activities |
|--------------------------------------|-------------------------|-----------|------|--------------------------|
| Accounts payable/accrued liabilities | \$ | 357,266 | \$ | 877,722 |
| Wages and fringe benefits | | 722,235 | | - |
| Intergovernmental Federal/State | | 39,000 | | 22,368 |
| | <u>\$</u> | 1,118,501 | _\$_ | 900,090 |

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

| | <u>Receivable</u> | | | <u>Payable</u> |
|---------------------------------------------|-------------------|-----------|-----|----------------|
| Advances to/from other funds | | | | - |
| Primary government | | | | |
| General | \$ | 217,000 | \$ | - |
| Component unit | | | | |
| Drains | | | _ | 217,000 |
| | \$ | 217,000 | \$_ | 217,000 |
| | | | | |
| Interfund receivable/payable | | | | |
| General | \$ | 458,075 | \$ | 3,029,651 |
| Health | | 350,574 | | - |
| Primary road | | 758 | | - |
| Revenue reserve | | - | | 446,075 |
| Nonmajor governmental funds | | 1,247,599 | | 12,000 |
| Delinquent tax revolving funds | | 1,980,086 | | 1,109,242 |
| Fiduciary funds | | 638,396 | | |
| | | 4,675,488 | | 4,596,968 |
| Adjustments for September 30 year end funds | | | | 78,520 |
| | \$ | 4,675,488 | \$ | 4,675,488 |
| | | | | |

A summary of interfund transfers for the year ended December 31, 2004, is as follows:

| | Transfer In | Transfer Out |
|---------------------------------------------|-----------------------|------------------------------|
| General Health Revenue reserve | \$ 750,888 278,294 | \$ 1,397,327 - 446,075 |
| Nonmajor governmental funds | 1,285,455 | 169,955 |
| Delinquent tax revolving funds | 2,314,637 | 304,813 2,318,170 |
| Adjustments for September 30 year end funds | 3,533 \$ 2,318,170 | \$ 2,318,170 |

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

Total transfers in for the primary government as shown in the accompanying financial statements were \$2,314,637 and total transfers out were \$2,318,170. The difference between these amounts, \$3,533, was attributable to transactions with the Health Department, which is reported on a September 30 year end. As such, this is reported as an uneliminated internal balance in the statement of activities.

F. Unemployment Compensation

The County and its component units are reimbursing employers for purposes of unemployment insurance claims against the employer. They reimburse the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financing statements. This expense is recognized as paid or when the liability is due to the State Unemployment Agency.

G. Leases

Primary government

Operating leases - The 911 Operation leases towers under five year leases (all of which have expired). The leases are, therefore, month to month. The annual expense for tower and other miscellaneous leases was \$41,307 in 2004.

Component units

Road Commission

Capital Leases - The Road Commission has entered into lease agreements as the lessee for financing the purchase of road graders. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

| | Cat Graders (3) | | Cat <u>Graders (2)</u> | | Total |
|-----------------------------------|--------------------|---------|---------------------------|----------|---------------|
| 2005 | \$ | 219,513 | \$ | 32,021 | \$ 251,534 |
| 2006 | | - | | 34,932 | 34,932 |
| 2007 | | | | 136,004 | 136,004 |
| Total minimum lease payments | | 219,513 | | 202,957 | 422,470 |
| Less amount representing interest | | (2,540) | | (17,659) | (20,199) |
| Present value | \$ | 216,973 | \$ | 185,298 | \$ 402,271 |

Operating Leases - Commitments under noncancelable operating lease agreements of equipment provide for payments of \$50,429 in the current year and future minimum annual lease payments as follows:

| 2004 | ; | \$ 50,429 |
|------|----------|---------------|
| 2005 | | 264,752 |
| | <u> </u> | \$ 315,181 |

Huron Behavioral Health

Operating Lease - On January 1, 2004, the Authority entered into a lease agreement with the Huron County Board of Commissioners to lease office space. The terms of the lease require monthly payments of \$11,597 for a period of one year beginning January 1, 2004. The Authority is responsible for all expenses of operation including utilities and maintenance. Future minimum lease payments at September 30, 2004 are \$34,791.

The lease further provides for cancellation by the Authority if the purpose for which the lease was entered into no longer exists due to executive, legislative or local government order or insufficient allocation of funds for this location by the Michigan State Department of Community Health and/or the Huron County Board of Commissioners.

The Authority entered into various lease arrangements for housing residential and day activity facilities. The terms of the leases require monthly payments amounting to \$3,641. The Authority is responsible for all expenses of operation including utilities and maintenance.

The leases also provide for an optional renewal term with monthly lease payments to be determined based on an agreed upon formula. The leases further provide for cancellation by the Authority in the event funding is terminated, reduced or licensing is withheld.

H. Long-Term Debt

A summary of changes in long-term debt is as follows:

| | Balance January 1, 2004 | Additions (Retirements) | Balance December 31, 2004 | Due Within One Year |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|---------------------------------|---------------------------|
| Primary government - Governmental activities: | | | | |
| General Obligation Debt: | | | | |
| Municipal purchase note - secured by general obligation of the County: | | | | |
| \$2,840,000 Municipal Purchase Note (Jail and Medical Care Building); due in annual installments of \$165,000 - \$365,000 plus interest semi-annually at 2.750% - 3.875% through September 1, 2011 | \$ 2,395,000 | \$ (320,000) | \$ 2,075,000 | \$ 330,000 |
| Less amount carried by Enterprise Fund (Medical Care Building) | (1,180,000) | 185,000 | (995,000) | (190,000) |
| Total Municipal Purchase Note (Jail) | 1,215,000 | (135,000) | 1,080,000 | 140,000 |
| Building authority debt - secured by general obligation of the County: | | | | |
| \$1,100,000 Communication Equipment bonds; due in annual installments of \$125,000 - \$130,000 plus interest semi-annually at 4.60% through September 1, 2005 | 255,000 | (125,000) | 130,000 | 130,000 |
| Total general obligation debt | 1,470,000 | (260,000) | 1,210,000 | 270,000 |
| Other debt: | ., 0,000 | (200,000) | ,,_,,,,,, | 2,0,000 |
| Lease purchase - GMAC; due in annual installments of \$6,356 including interest annually at 4.70% through | | 18,225 | 44.000 | |
| April 28, 2006 | - | (6,356) | 11,869 | 5,798 |
| Lease purchase - GMAC; due in annual installments of \$6,356 including interest annually at 4.70% through April 28, 2006 | - | 18,225 (6,356) | 11,869 | 5,798 |
| Lease purchase - GMAC; due in annual installments of \$6,356 including interest annually at 4.70% through April 28, 2006 | - | 18,225 (6,356) | 11,869 | 5,798 |
| Note payable - Michigan Aeronautics Commission Michigan Airport Loan Program with annual payments of \$1,723 including interest at 4.70% through May | | | | |
| 2008 | 7,521 | (1,370) | 6,151 | 1,434 |
| General fund vested vacation and sick leave | 849,469 | (10,343) | 839,126 | - |
| Special revenue fund vested vacation and sick leave | 72,181 | 4,756 | 76,937 | - |
| Total other debt | 929,171 | 28,650 | 957,821 | 18,828 |
| Total debt - governmental activities | \$ 2,399,171 | \$ (231,350) | \$ 2,167,821 | \$ 288,828 |

| Primary government - Business type activities: General Obligation Debt: | Balance January 1, 2004 | Additions (Retirements) | Balance December 31, 2004 | Due Within One Year |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|---------------------------------|---------------------------|
| Municipal purchase note - secured by general obligation of the County: | | | | |
| \$1,490,000 Municipal Purchase Note; due in annual installments of \$190,000 - \$205,000 plus interest semi-annually at 2.750% - 3.600% through September 11, 2009 | \$ 1,180,000 | \$ (185,000) | \$ 995,000 | \$ 190,000 |
| Less unamortized discount and issue costs | (62,558) | \$ 19,538 | (43,020) | (15,185) |
| Net Municipal Purchase Note | 1,117,442 | (165,462) | 951,980 | 174,815 |
| 2004 General obligation limited tax renewal notes, interest payable monthly at the most recent LIBOR rate as published in the Wall Street Journal, plus .45%; payable pursuant to County policy in amounts approximately equal to taxes collected in 2003 Delinquent Tax Revolving Fund | - | 2,900,000 (2,017,727) | 882,273 | 882,273 |
| 2003 General obligation limited tax renewal notes, interest payable monthly at the most recent LIBOR rate as published in the Wall Street Journal, plus .50%; payable pursuant to County policy in amounts approximately equal to taxes collected in 2002 Delinquent Tax Revolving Fund | 981,000 | (861,000) | 120,000 | 120,000 |
| PEBSCO Deferred Compensation Retirement Plan - Transit Fund | 119,309 | (119,309) | | |
| Total debt - business type activities | \$ 2,217,751 | \$ (263,498) | \$ 1,954,253 | \$ 1,177,088 |

Component units:

General obligation debt:

General obligation debt secured by general obligation contracts:

General obligation bonds have been issued by the County to construct several water supply and sewage disposal systems for various townships, villages and cities in the County. The County in turn is leasing the systems to the various municipalities who operate, maintain and manage the systems. The bonds were sold with the full faith and credit of the Townships, Villages, Cities and County pursuant to Act 185, Public Acts of Michigan, 1957, as amended.

The principle and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the bond issues, ownership of the systems revert to the Townships, Villages or Cities.

| the Townships, Villages or Cities. | Balance January 1, Additions 2004 (Retirements) | | Balance December 31, 2004 | Due Within One Year | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------|---------------------------------|---------------------------|--|
| \$180,000 Huron County sewer system serial bonds (Township of Colfax) due in annual installments of \$10,000 - \$15,000 plus interest semi-annually at 5.00% - 5.10% through September 1, 2008; Colfax Township has entered into a general obligation contract with the County to repay this debt | \$ 65,000 | \$ (10,000) | \$ 55,000 | \$ 10,000 | |
| \$525,000 Huron County water and sewer system serial bonds (Sebewaing M-25) due in annual installments of \$25,000 - \$40,000 plus interest semi-annually at 7.00% - 7.15% through September 1, 2012; the Village of Sebewaing has entered into a general obligation contract with the County to repay this debt | 315,000 | (25,000) | 290,000 | 25,000 | |
| \$2,625,000 Huron County water system improvement project bonds (Sand Beach Township) due in annual installments of \$125,000 - \$175,000 plus interest semi-annually at 4.75% - 5.50% through December 1, 2019; the Township of Sand Beach has entered into a general obligation contract with the County to repay this debt | 2,275,000 | (100,000) | 2,175,000 | 125,000 | |
| \$1,900,000 Huron County water supply and sewage disposal bonds (City of Bad Axe - Series A) due in annual installments of \$50,000 - \$200,000 plus interest semi-annually at 4.125% - 7.125% through December 1, 2015; the City of Bad Axe has entered into a general obligation contract with the County to repay this debt | 1,750,000 | (50,000) | 1,700,000 | 50,000 | |
| \$1,605,000 Huron County water supply and sewage disposal bonds (City of Bad Axe - Series B) due in annual installments of \$175,000 - \$200,000 plus interest semi-annually at 4.500% - 4.750% through December 1, 2007; the City of Bad Axe has entered into a general obligation contract with the County to repay this debt | 700,000 | (150,000) | 550,000 | 175,000 | |
| | | | | | |

| | Balance January 1, 2004 | Additions (Retirements) | Balance December 31, 2004 | Due Within One Year |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|---------------------------------|---------------------------|
| Installments of \$22,302 - \$45,000 plus interest semi-annually at 2.125% through October 1, 2021; the Village of Elkton has entered into a general obligation contract with the County to repay this debt | | 707,302 (35,000) | 672,302 | 35,000 |
| Total general obligation debt secured by general obligation contracts | 5,105,000 | 337,302 | 5,442,302 | 420,000 |
| Drain Funds debt (backed by the full faith and credit of | of the County): | | | |
| Drain notes payable, due in amounts varying from \$9,700 to \$289,855 plus interest at 2.50% - 6.20% through July 1, 2014 | 1,431,457 | 136,000 (289,854) | 1,277,603 | 278,535 |
| Drain bonds - Bad Axe Drain - Phase I; due in annual installments of \$75,000 plus interest semi-annually at 6.30% - 6.40% through June 1, 2007 | 300,000 | (75,000) | 225,000 | 75,000 |
| Drain bonds - Bad Axe Drain - Phase II; due in annual installments of \$50,000 - \$75,000 plus interest semi-annually at 5.30% - 5.90% through June 1, 2014 | 650,000 | (50,000) | 600,000 | 50,000 |
| Drain bonds - Cramp Drain; due in annual installments of \$30,000 plus interest semi-annually at 5.50% - 5.90% through June 1, 2009 | 180,000 | (30,000) | 150,000 | 30,000 |
| Drain bonds - Todd Drain; due in annual installments of \$35,000 plus interest semi-annually at 6.40% - 6.90% through June 1, 2010 | 245,000 | (35,000) | 210,000 | 35,000 |
| Drain bonds - Fisher Drain; due in annual installments of \$50,000 plus interest semi-annually at 5.35% through June 1, 2005 | 100,000 | (50,000) | 50,000 | 50,000 |
| Drain bonds - Pitcher Drain; due in annual installments of \$35,000 - \$40,000 plus interest semi-annually at 5.00% through June 1, 2011 | 300,000 | (35,000) | 265,000 | 40,000 |
| Drain bonds - Thompson Drain; due in annual installments of \$35,000 - 40,000 plus interest at 4.70% - 4.90% through June 1, 2007 | 145,000 | (35,000) | 110,000 | 35,000 |
| Drain bonds - Allen Drain; due in annual installments of \$100,000 - \$125,000 plus interest semi-annually at 4.50% through June 1, 2012 | 1,050,000 | (125,000) | 925,000 | 125,000 |

| | Balance January 1, 2004 | Additions (Retirements) | Balance December 31, 2004 | Due Within One Year |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|---------------------------------|---------------------------|
| Drain bonds - Crumback Drain; due in annual installments of \$20,000 - 25,000 plus interest at 4.55% - 5.00% through June 1, 2013 | 230,000 | (20,000) | 210,000 | 25,000 |
| Drain bonds - Schram Drain; due in annual installments of \$70,000 plus interest semi-annually at 4.55% - 5.00% through June 1, 2013 | 700,000 | (70,000) | 630,000 | 70,000 |
| Drain bonds - Bay Port Drain; due in annual installments of \$35,000 - 40,000 plus interest at 4.50% - 4.75% through June 1, 2018 | 555,000 | (35,000) | 520,000 | 35,000 |
| Drain bonds - Lincoln Drain; due in annual installments of \$35,000 plus interest semi-annually at 5.00% - 5.35% through June 1, 2010 | 245,000 | (35,000) | 210,000 | 35,000 |
| Drain bonds - Shebeon Intercounty Drain; due in annual installments of \$225,000 plus interest semi-annually at 5.35% - 5.50% through June 1, 2010 | 1,575,000 | (225,000) | 1,350,000 | 225,000 |
| Drain bonds - Harbor Beach Consolidated Drain; due in annual installments of \$50,000 - \$100,000 plus interest semi-annually at 4.75% - 6.75% through June 1, 2020 | 1,175,000 | (50,000) | 1,125,000 | 50,000 |
| Drain bonds - Beaubien Drain; due in annual installments of \$50,000 plus interest semi-annually at 4.85% - 5.15% through June 1, 2011 | 400,000 | (50,000) | 350,000 | 50,000 |
| Drain bonds - Cameron Drain; due in annual installments of \$30,000 - \$35,000 plus interest semi-annually at 4.00% - 5.00% through June 1, 2013 | 325,000 | (30,000) | 295,000 | 30,000 |
| Drain bonds - Taft Drain; due in annual installments of \$65,000 - \$70,000 plus interest semi-annually at 3.40% - 4.45% through June 1, 2012 | 595,000 | (65,000) | 530,000 | 65,000 |
| Drain bonds - Filion Drain; due in annual installments of \$40,000 plus interest semi-annually at 3.45% through June 1, 2018 | 595,000 | (35,000) | 560,000 | 40,000 |
| Total drain funds debt | 10,796,457 | (1,203,854) | 9,592,603 | 1,343,535 |

Motor Vehicle Highway Fund debt secured by highway funds (backed by full faith and credit of the County):

| iditas (puotee by idit idital and oreal of the county). | Balance January 1, 2004 | Additions (Retirements) | Balance December 31, 2004 | Due Within One Year |
|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|---------------------------------|---------------------------|
| Drain assessment - Allen Drain; due in annual installments of \$27,484 plus interest semi-annually at various rates through June 1, 2012 | 219,870 | (27,484) | 192,386 | 27,484 |
| Drain assessment - Shebeon Drain; due in annual installments of \$64,934 plus interest semi-annually at various rates through June 1, 2009 | 389,601 | (64,933) | 324,668 | 64,93 4 |
| Lease purchase - Caterpillar Financial; due in monthly installments of \$9,463 including interest at 5.50% through May 10, 2004 | 339,670 | (122,697) | 216,973 | 216,972 |
| Lease purchase - Caterpillar Financial; due in monthly installments of \$6,107 including interest at 4.80% through May 10, 2005 | 278,237 | (92,938) | 185,299 | 32,021 |
| Total highway debt | 1,227,378 | (308,052) | 919,326 | 341,411 |
| Other debt: | | | | |
| Vested vacation and sick leave - Huron County Road Commission | 511,335 | 33,750 | 545,085 | |
| Huron Behavioral Health Total component unit debt | 376,395 \$ 18,016,565 | 35,668 \$ (1,105,186) | <u>412,063</u> \$ 16,911,379 | \$ 2,104,946 |

The annual principal and interest requirements, excluding installment contracts, for the years ending December 31, 2005 through 2021 are as follows:

| | Governmental Activities | | siness Type Activities | Discretely Presented Component Units | | |
|-------------|--------------------------------|----|---------------------------|--------------------------------------------|------------|--|
| 2005 | \$ 313,028 | \$ | 1,232,835 | \$ | 2,477,322 | |
| 2006 | 178,198 | | 227,130 | | 2,266,845 | |
| 2007 | 178,848 | | 221,130 | | 2,212,778 | |
| 2008 | 173,972 | | 214,630 | | 1,942,026 | |
| 2009 | 178,534 | | 212,380 | | 1,884,647 | |
| 2010 - 2014 | 354,364 | | - | | 5,955,413 | |
| 2015 - 2019 | - | | - | | 2,193,476 | |
| 2020 - 2021 | | | | | 172,036 | |
| | \$ 1,376,944 | \$ | 2,108,105 | \$ | 19,104,543 | |

Huron County, Michigan

Notes to Combined Financial Statements December 31, 2004 (Continued)

The following is a summary of commitments, including interest, under installment contracts and lease purchases.

| 2005 | \$ 20,791 |
|------|--------------|
| 2006 | 20,791 |
| 2007 | 1,723 |
| 2008 | 1,722 |
| | |
| | \$ 45,027 |

IV. OTHER INFORMATION

A. Risk Management

Primary government

The County is self-insured for workers' compensation and health care benefits.

Workers' compensation

All County funds, except for Thumb Transit, Parks and Airport Funds, make payments to the Workers' Compensation Fund (Internal Service) based on annually determined percentages of gross wages. These payments are reported as charges for services in the paying fund and charges for services in the receiving fund.

The County is self-insured for individual claims up to \$275,000 and total claims per year up to \$739,500. The County purchases commercial insurance for claims in excess of these amounts. The County has recorded a liability of \$189,250 for accrued claims including an estimate for claims incurred but not reported (IBNR). This liability has been reduced by \$25,000 representing reinsurance reserves for claims over the maximum limits. The Workers' Compensation Fund evaluates each claim periodically and estimates the total expected cost. Reserves for unknown future losses are not established. The claims liability at December 31, 2004 is listed below.

Health care benefits

In June 2003, the County established a self-insured health care benefit plan. This plan is administered by a third party and is accounted for in the Fringe Benefits Fund (Internal Service). Under the plan, the County pays claims up to \$25,000 per contract. The County purchases stop loss insurance for claims in excess of this limit. The County records a liability for unpaid claims, including incurred but not reported claims (IBNR).

The changes in claims liabilities during 2004 were as follows:

| | _ | Vorkers npensation | H | lealth Care Benefits | Total |
|-------------------------------------------------------------------------|----|-------------------------------|----|-------------------------------------|-------------------------------------------|
| Unpaid claims, December 31, 2003 Provision for claims Claims paid | \$ | 186,203 50,495 (47,448) | \$ | 256,308 1,430,529 (1,382,565) | \$ 442,511 1,481,024 (1,430,013) |
| Unpaid claims, December 31, 2004 | \$ | 189,250 | \$ | 304,272 | \$ 493,522 |

The self-insured health care benefit plan referred to above is not utilized by the Medical Care Facility Fund, Huron Transit Fund, Parks and Airport Funds. Those funds purchase commercial insurance for employee health care benefits.

Partial self-insurance - general liability

The County is a member of the Michigan Municipal Risk Management Authority. As a member of the Authority, the County is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the County's maximum loss per occurrence is limited as follows:

| · | Maximum Retention Per Occurrence | | | |
|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--|--|--|
| General liability Auto physical damage Auto physical damage Property coverage | \$75,000 \$15,000 per vehicle \$30,000 per occurrence 10% of the first \$100,000 after \$1,000 deductible | | | |

Losses in excess of these occurrence limits are covered by reinsurance up to \$9,250,00

The Huron County Health Department participates in the Michigan Municipal Risk Management Authority, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a liability limit of \$10 million and \$5 million, respectively. This fund is required to pay annual premiums to the Michigan Municipal Risk Management Authority for the liability coverage. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Huron Transit Corporation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The Corporation is a member of the Michigan Transit Pool (a group self-insurance pool) to account for and finance these risks of loss. Currently, the Pool has two separate loss protection programs known as (1) the Liability Coverage Program and (2) the Direct Property Damage Coverage Program. The Liability Coverage Program provides coverage for motor vehicle liability as required by state law and general liability coverage. The Direct Property Damage Coverage Program provides coverage for collision losses, comprehensive losses and losses of use.

Payments ("premiums") charged to members participating in the Liability Coverage Program and the Direct Property Damage Coverage Program are determined in amounts pursuant to cost allocation plans for each program. However, both of the programs involve the transferring of risk of loss amongst members, and premiums are subject to retrospective adjustments to prior years. Generally, the Corporation's maximum loss per occurrence is limited as follows:

| Type of Risk | Deposit Premiums | | Maximum Retention Per Occurrence | | Coverage Limit Per Occurrence | |
|-------------------------------------|---------------------|----|----------------------------------------|---------------------------|-------------------------------|--|
| Motor vehicle and general liability | \$ 57,673 | \$ | 100,000 | \$ | 1,000,000 | |
| Direct property damage | \$ 14,804 | \$ | 10,000 | Book value of property | | |

If a loss is greater than the retention amount, the difference is covered by excess insurance carriers.

Members pay directly the first \$2,000 of each loss. The next \$8,000 is also the member's responsibility but comes from the member's premium deposit. Loss amounts above \$10,000 are pooled, and shared between all program members, based upon the relative book values of each respective member. Comprehensive losses over \$50,000 are covered by the excess insurance carrier.

The Corporation reports its required contribution to these programs as insurance expense for the period of coverage. Additional assessments, which are considered likely, are accrued in accordance with FASB Statement No. 5. Any dividends or returns of contributions are recognized as a reduction of expense at the time the dividend is declared.

The Huron County Medical Care Facility purchases commercial insurance through private carriers. Management believes such coverage is sufficient to preclude any material loss to the County.

Component units

Road Commission

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Road Commission joined together with other Road Commissions to form the Michigan County Road Commission Self-Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management and insurance program which charges an annual premium to its members for insurance coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of \$10 million for each insured event. The MCRCSIP provides general liability, casualty and fleet coverage to the Road Commission, and acts as an agent for the Road Commission by purchasing commercial insurance for underground storage tank liability.

The Road Commission is also a member of the Michigan County Road Association Self-Insurance Fund, a public entity risk pool providing risk management for worker's compensation. The Road Commission also continues to carry commercial insurance for employee health coverage.

At December 31, 2004, there were no claims that exceeded insurance coverage. The Road Commission had no significant reduction in insurance coverage from the previous year.

Huron Behavioral Health

Workers' compensation

Huron Behavioral Health purchased commercial insurance to provide coverage of losses related to workers' compensation claims. The workers' compensation insurance provides coverage for up to a maximum of \$1,000,000 for each workers' compensation claim.

Employee health care

For its risk of losses related to providing health care benefits to its employees and their dependents, the Authority established a partial self-insurance plan to cover claims for the medical costs of its employees and their dependents. The partial self-insurance plan provided coverage of up to \$616,760 of total medical care claims for the calendar year of 2004. For claims in excess of coverage of \$616,760, the Authority has purchased commercial insurance. Commercial insurance has also been purchased to provide vision and dental benefits for the employees of Huron Behavioral Health and their dependents. As of September 30, 2004, the Authority has paid medical care claims in the amount of \$730,535 and received reimbursements in the amount of \$21,644 for medical costs paid in excess of the aggregate stop loss limit for the calendar year 2004. Also, the Authority has recognized as an expense, twelve months of amortization of the maximum loss for medical claims in the amount of \$1,838,779 as of September 30, 2004.

B. Contingent Liabilities

Various claims and lawsuits are pending against the County. The County has sufficient insurance coverage and would only by liable up to \$75,000 on each case settled in the plaintiff's favor. In the opinion of the County's management and legal counsel, the potential loss on all claims and lawsuits will not be significant to the County's financial statements.

Various suits involving personal injury claims have been filed or are pending against the Road Commission. The only direct financial responsibility that the Road Commission has concerning the above claims is the payment of a \$1,000 deductible, per occurrence, to the Michigan County Road Commission Self-Insurance Pool. The Road Commission is afforded coverage through the Pool with more than sufficient limits to cover any settlement or adverse judgment.

C. Property Taxes

Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

Through 2004, the County property tax was levied each December 1 on the assessed valuation of property located in the County as of the preceding December 31. On December 1, the property tax assessment was an enforceable lien on property and is payable by the last day of the following February. Assessed values are established annually by the County and are equalized by the State of Michigan at an estimated 50% of current market value.

In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

Data relative to the 2004 property taxes is summarized below. Such data excludes the effect of adjustments and uncollected taxes.

| Taxable value | \$ 1,354,384,349 | | |
|------------------------------|------------------|--|--|
| Millage rates per \$1,000 of | | | |
| Taxable value: | | | |
| Operating | 4.3807 | | |
| Voted transit | 0.1991 | | |
| Voted older citizens | 0.1991 | | |
| Voted medical care facility | 0.4887 | | |
| Voted road improvement | 0.9971 | | |
| Total mills | 6.2647 | | |

By agreement with various taxing authorities, the County purchases at face value the real property taxes receivable returned delinquent each March 1. These receivables (\$1.2 million at December 31, 2004) are pledged for payment of tax anticipation notes payable, the proceeds of which are used to liquidate the amounts due the General Fund and various other funds and governmental agencies for purchase of the receivables. Subsequent collections on delinquent taxes receivable, plus interest and collection fees thereon, and investment earnings are used to extinguish the debt.

D. Retirement Plan

Plan description

The County, Road Commission, and Huron Behavioral Health contribute to defined benefit pension plans with the Michigan Municipal Employees Retirement System (MERS). Separate actuarial valuations are obtained for the County general employees (primary government), for the Road Commission employees and for the Behavioral Health employees (component units).

MERS is an agent multiple-employer, state-wide, public employee pension plan that was created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. Pursuant to Act 220, on August 15, 1996, MERS became an independent public non-profit corporation which is an instrumentality of the participating municipalities and courts. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. It provides centralized administration and investment of plan assets, but each employer unit is separately experience rated. MERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS, 1134 Municipal Way, Lansing MI 48917 or by calling 1-800-767-6377.

Funding policy

Employees are required to contribute 3% of their annual earnings up to \$4,200 and 5% thereafter to the System. The County, Road Commission, and Huron Behavioral Health are required to contribute at an actuarially determined rate.

Primary government

Annual pension cost

For 2004, The County's annual pension cost was equal to their required contribution. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) an investment yield rate of 8%, (b) projected salary increases ranging from 4.5% to 8.66% per year, and (c) a 2.5% per year cost-of-living adjustment. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of payroll.

Three year trend information

| Year <u>Ending</u> | ally Required bution (ARC) | Percentage of ARC Contributed | et sion <u>ation</u> |
|-----------------------|-------------------------------|-------------------------------------|--------------------------------|
| 12/31/2002 | \$ 818,859 | 100% | \$ - |
| 12/31/2003 | 852,264 | 100% | - |
| 12/31/2004 | 989,196 | 100% | - |

Road Commission

Annual pension cost

For 2004, the Road Commission made actual contributions of \$115,053 which were made based on the payroll paid rather than the estimated payroll used in the actuarial valuation, and they exceeded the required contribution because of changes made to the benefit provisions of the plan. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) an investment yield rate of 8%, (b) projected salary increases ranging from 4.5% to 8.66% per year. The Road Commissions' unfunded actuarial accrued liability is being amortized as a level of percentage of payroll.

The County has utilized the State's accelerated funding credit program to reduce pension contributions. Under this program, the MERS Board allowed members to temporarily reduce contributions when members were over 100% funded. The effect of the accelerated funding credit is shown below and is treated as a reduction of the annually required contribution.

Three year trend information

| Year Ending | ally Required bution (ARC) | Percentage of ARC Contributed | Pen | let nsion gation | F | celerated unding Credit | F | Net Pension Cost |
|----------------|----------------------------|-------------------------------------|-----|------------------------|----|-------------------------------|----|------------------------|
| 12/31/2002 | \$ 98,933 | 100% | \$ | - | \$ | 26,916 | \$ | 72,017 |
| 12/31/2003 | 121,044 | 100% | | - | | 44,694 | | 76,350 |
| 12/31/2004 | 162,144 | 100% | | - | | 47,091 | | 115,053 |

Huron Behavioral Health

Annual pension cost

For the year ended September 30, 2004, the Authority's annual pension cost of \$234,795 for the plan was equal to the Authority's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8% investment rate of return, (b) projected salary increases of 4.5% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll.

Three year trend information

| Year Ending | ally Required bution (ARC) | Percentage of ARC Contributed | et sion <u>jation</u> |
|----------------|-------------------------------|-------------------------------------|---------------------------------|
| 12/31/2002 | \$ 177,346 | 100% | \$ - |
| 12/31/2003 | 212,251 | 100% | - |
| 12/31/2004 | 234,795 | 100% | - |

E. Postemployment Benefits

In addition to pension benefits, the County provides the following benefits to employees who retire.

Health insurance

The County provides post-retirement health care benefits to eligible employees who retire from the County. For employees hired prior to 1997, eligibility depends on minimum years of service ranging from ten to fifteen years and a minimum age of 55 to 60 years. For employees hired after 1996, employees must reach age 60 and must have worked for the County for twenty-five years. For those employees hired prior to 1997, the County pays from 50% to 100% of the insurance. These benefits terminate upon the death of the retired County employee.

The County pays the cost of the benefit out of the Retiree's Health Insurance Fund (a Special Revenue fund). The County General Fund transfers the estimated cost of the benefit to this fund. As of December 31, 2004, the fund balance of this fund was \$145,354. During the year ended December 31, 2004, the County's net expense for premiums paid was \$338,378. Benefits were paid on behalf of 41 former employees.

The Health Department pays the cost of the benefit out of the Health Fund (a Special Revenue fund). During the year ended December 31, 2004, the Health Fund's net expenses for premiums paid was \$45,253. Benefits were paid on behalf of 10 former employees.

The Road Commission provides optional health insurance through Blue Cross to its retired employees depending on their age. The Board pays the premiums for each employee that retires prior to being 65 years old, for a maximum of three years, or until they reach age 65. Those employees who retire or continue coverage after age 65 may obtain coverage through the Road Commission, but are responsible for the full cost of all premiums. For the year ended December 31, 2004, premiums paid by the Road Commission for 7 retired employees were \$55,093 while employee-paid premiums totaled \$275,962.

Huron Behavioral Health provides post-employment benefit options for group health insurance to eligible retirees and their dependents. The benefits are provided in accordance with Authority policy. The criteria to determine eligibility includes years of service and employee age. The Authority funds the benefits on a pay-as-you-go basis. Employees with at least 10 years of full time service and age 55 or older are required to pay 50% of the group health insurance premiums with the Authority paying the remaining portion of the premiums. Employees with at least 15 years of full time service and age 55 or older are required to pay 25% of group health insurance premiums with the authority paying the remaining portion of premiums. Employees with at least 20 years of full time service and age 55 or older; or that have at least 10 years of full time service and age 60 or older are not required to contribute to the payment of their group health insurance premiums. During the year ended September 30, 2004, expenditures (net of participant contributions) of \$76,083 were recognized for postemployment benefits. There are 10 participants currently eligible to receive post-employment health benefits.

Life insurance

The Road Commission pays the premium for a group life insurance policy in the amount of \$3,000 to \$15,000, for each retired employee. For the year ended December 31, 2004, the Road Commission paid \$1,772 in life insurance premiums on behalf of 32 retired employees. During 2002, the Road Commission elected to drop commercial life insurance premiums for the retired employees with \$1,000 of coverage. Instead, they have opted to self-insure the lives of these 16 retired employees. During the year ended December 31, 2004, there were three claims paid under this self-insurance policy, and 11 remaining retirees under this system.

F. Deferred Compensation Plan

General, Road Commission and Huron Behavioral Health employees

Huron County offers all County employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted for any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances are not reflected in Huron County's financial statements.

Thumb Transit employees

Huron Transit Corporation offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of Huron Transit Corporation for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provision of GASB Statement No. 32, plan balances and activities are not reflected in Huron Transit Corporation's financial statements. Employer contributions for the year were \$1,843.

At no time during the fiscal year did the Corporation's pension plan investment portfolio use derivative instruments or products.

G. Fund Equity

Reserved fund balance

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance for all County funds at December 31, 2004:

| Primary government General fund | Long-term advances | \$ 217,000 |
|------------------------------------|--------------------|---------------|
| Special revenue funds | | |
| Parks | Capital projects | 144,938 |
| Airport | Capital projects | 20,000 |
| Building authority | Debt service | 68 |
| Enterprise funds | | |
| Tax revolving fund | Foreclosure | 206,445 |
| | Tax administration | 128,300 |

Supplemental Pension Plan Data December 31, 2004

Schedule of Funding Progress

| | General | Emp | loyees | S |
|--|---------|------------|--------|---|
|--|---------|------------|--------|---|

| General Employee | <u>es</u> | | | | | |
|--------------------------------|---------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|--------------------------------------------------------------|
| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b-a) Unfunded AAL (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | ((b-a)/c) UAAL as a % of Covered Payroll |
| 12/31/1997 | 20,315,058 | 25,714,952 | 5,399,894 | 79% | 7,817,670 | 69.07% |
| 12/31/1998 | 23,474,992 | 28,064,255 | 4,589,263 | 84% | 8,151,472 | 56.30% |
| 12/31/1999 | 27,358,448 | 30,265,971 | 2,907,523 | 90% | 8,086,663 | 35.95% |
| 12/31/2000 | 30,373,411 | 34,234,624 | 3,861,213 | 89% | 8,191,487 | 47.14% |
| 12/31/2001 | 32,573,682 | 37,022,196 | 4,448,514 | 88% | 8,204,814 | 54.22% |
| 12/31/2002 | 33,600,643 | 40,094,112 | 6,493,469 | 84% | 8,509,627 | 76.31% |
| 12/31/2003 | 36,153,877 | 42,505,517 | 6,351,640 | 85% | 8,449,846 | 75.17% |
| Road Commission | Employees | | | | | |
| | (a) | (b) Actuarial | (b-a) | (a/b) | (c) | ((b-a)/c) UAAL as a |
| Actuarial Valuation Date | Actuarial Value of Assets | Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | % of Covered Payroll |
| 12/31/1997 | 12,772,918 | 11,992,951 | (779,967) | 107% | 1,992,931 | 0.00% |
| 12/31/1998 | 13,879,361 | 11,977,091 | (1,902,270) | 116% | 1,973,483 | 0.00% |
| 12/31/1999 | 15,441,579 | 13,160,201 | (2,281,378) | 117% | 2,273,748 | 0.00% |
| 12/31/2000 | 16,313,899 | 15,881,803 | (432,096) | 103% | 2,387,777 | 0.00% |
| 12/31/2001 | 16,673,821 | 16,982,168 | 308,347 | 98% | 2,601,414 | 11.85% |
| 12/31/2002 | 16,288,042 | 17,365,850 | 1,077,808 | 94% | 2,690,619 | 40.06% |
| 12/31/2003 | 16,525,788 | 17,963,908 | 1,438,120 | 92% | 2,693,384 | 53.39% |
| | | | | | | |

Supplemental Pension Plan Data December 31, 2004 (Continued)

Schedule of Funding Progress

Huron Behavioral Health

| | (a) | (b) Actuarial | (b-a) | (a/b) | (c) | ((b-a)/c) UAAL as a |
|------------|-----------|-------------------------|-----------|--------|-----------|-------------------------------|
| Actuarial | Actuarial | Accrued | Unfunded | | _ | % of |
| Valuation | Value of | Liability | AAL | Funded | Covered | Covered |
| Date | Assets | (AAL) | (UAAL) | Ratio | Payroll | Payroll |
| 12/31/1997 | 3,299,288 | 3,898,195 | 598,907 | 85% | 1,985,050 | 30.17% |
| 12/31/1998 | 3,701,049 | 3,781,677 | 80,628 | 98% | 1,785,156 | 4.52% |
| 12/31/1999 | 4,450,609 | 4,323,070 | (127,539) | 103% | 1,978,712 | 0.00% |
| 12/31/2000 | 5,028,314 | 4,852,899 | (175,415) | 104% | 2,065,726 | 0.00% |
| 12/31/2001 | 5,626,469 | 5,720,701 | 94,232 | 98% | 2,420,685 | 3.89% |
| 12/31/2002 | 6,103,433 | 6,243,065 | 139,632 | 98% | 2,522,510 | 5.54% |
| 12/31/2003 | 6,898,603 | 6,770,608 | (127,995) | 102% | 2,451,174 | 0.00% |

General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual For the Year Ended December 31, 2004

| | Original Budget | Amended Budget | Actual | Variance Positive (Negative) |
|-----------------------------------------------------------------------------|--------------------|-------------------|--------------|------------------------------------|
| Revenues: | | | | |
| Taxes | \$ 5,743,735 | \$ 5,778,235 | \$ 5,771,751 | \$ (6,484) |
| Licenses and permits | 43,000 | 50,900 | 50,853 | (47) |
| Federal grants | 248,880 | 361,086 | 376,119 | 15,033 |
| State grants | 1,555,438 | 1,685,578 | 1,149,341 | (536,237) |
| Charges for services | 1,794,269 | 2,019,648 | 1,915,067 | (104,581) |
| Fines and forfeitures | 87,000 | 87,000 | 104,221 | 17,221 |
| Interest | 60,040 | 60,040 | 58,998 | (1,042) |
| Rents | 305,060 | 305,060 | 303,220 | (1,840) |
| Other | 15,820 | 122,547 | 120,569 | (1,978) |
| Total revenues | 9,853,242 | 10,470,094 | 9,850,139 | (619,955) |
| Expenditures: | | | | |
| Legislative | 225,032 | 213,082 | 213,084 | (2) |
| Judicial | 1,528,126 | 1,561,789 | 1,526,503 | 35,286 |
| General government | 2,150,543 | 2,205,850 | 2,130,595 | 75,255 |
| Public safety | 2,668,462 | 2,796,159 | 2,761,741 | 34,418 |
| Public works | 319,635 | 320,235 | 318,701 | 1,534 |
| Health and welfare | 284,453 | 346,876 | 334,849 | 12,027 |
| Economic development | 70,000 | 70,000 | 70,000 | - |
| Recreation and cultural | 62,172 | 66,172 | 66,091 | 81 |
| Other | 1,721,199 | 1,977,621 | 1,691,877 | 285,744 |
| Debt service | | | | |
| Principal | 135,000 | 135,000 | 135,000 | - |
| Interest | 39,917 | 40,042 | 40,041 | 1 |
| Total expenditures | 9,204,539 | 9,732,826 | 9,288,482 | 444,344 |
| Excess of revenues over (under) expenditures | 648,703 | 737,268 | 561,657 | (175,611) |
| Other financing sources (uses): | | | | |
| Operating transfers in | 304,813 | 304,813 | 750,888 | 446,075 |
| Operating transfers out | (1,353,762) | (1,442,327) | (1,397,327) | 45,000 |
| Total other financing sources | | | | |
| (uses) | (1,048,949) | (1,137,514) | (646,439) | 491,075 |
| Excess of revenues and other financing sources under expenditures and other | | | | |
| financing uses | (400,246) | (400,246) | (84,782) | 315,464 |
| Find belong beginning of any | 004.040 | 004.040 | | |
| Fund balance, beginning of year | 604,042 | 604,042 | 604,042 | |
| Fund balance, end of year | \$ 203,796 | \$ 203,796 | \$ 519,260 | \$ 315,464 |

General Fund Schedule of Expenditures by Activity Budget and Actual For the Year Ended December 31, 2004

| | Original Budget | Amended Budget | Actual | Variance Positive (Negative) |
|----------------------------------|--------------------|-------------------|------------|------------------------------------|
| Legislative: | | | | |
| Board of commissioners | \$ 225,032 | \$ 213,082 | \$ 213,084 | \$ (2) |
| Judicial: | | | | |
| Circuit court | 179,699 | 179,699 | 163,801 | 15,898 |
| Circuit court - family division | 31,675 | 31,675 | 31,562 | 113 |
| District court | 485,048 | 486,692 | 485,873 | 819 |
| Friend of the court | 215,119 | 216,719 | 212,728 | 3,991 |
| Jury commission | 3,000 | 3,000 | 2,604 | 396 |
| Probate court | 266,366 | 270,296 | 270,253 | 43 |
| Juvenile agent | 172,458 | 195,458 | 195,053 | 405 |
| Public guardian | 113,455 | 116,155 | 115,866 | 289 |
| Adult probation | 1,100 | 1,100 | 526 | 574 |
| Comm corrections advisory board | 34,553 | 35,342 | 28,424 | 6,918 |
| Comm corrections planning | 24,653 | 24,653 | 19,548 | 5,105 |
| Family counseling | 1,000 | 1,000 | 265 | 735 |
| Total judicial | 1,528,126 | 1,561,789 | 1,526,503 | 35,286 |
| General government: | | | | |
| Elections | 34,500 | 59,500 | 59,597 | (97) |
| Legal counsel | 69,053 | 69,053 | 26,598 | 42,455 |
| County clerk | 199,913 | 202,263 | 200,955 | 1,308 |
| Equalization | 149,697 | 148,697 | 145,595 | 3,102 |
| Prosecuting attorney | 422,581 | 428,031 | 427,949 | 82 |
| Register of deeds | 127,378 | 124,249 | 118,364 | 5,885 |
| Tax mapping | 79,645 | 80,605 | 80,467 | 138 |
| County survey remonumentation | 48,970 | 48,970 | 47,901 | 1,069 |
| County treasurer | 167,402 | 173,002 | 171,005 | 1,997 |
| Computer information systems | 192,147 | 188,347 | 188,205 | 142 |
| GIS | 12,900 | 12,900 | 10,747 | 2,153 |
| Building authority | 1,650 | 1,250 | - | 1,250 |
| MSU extension | 131,542 | 140,918 | 136,306 | 4,612 |
| Huron county annex | 20,750 | 20,250 | 18,607 | 1,643 |
| Courthouse & grounds | 274,371 | 290,871 | 290,416 | 455 |
| Expo center | 11,850 | 10,850 | 9,847 | 1,003 |
| County property | 33,550 | 21,550 | 14,799 | 6,751 |
| County vehicle maintenance | 12,500 | 12,500 | 11,474 | 1,026 |
| Drain commission | 143,074 | 143,074 | 142,842 | 232 |
| MSU parenting program | - | 11,900 | 11,851 | 49 |
| Huron soil conservation district | 9,000 | 9,000 | 9,000 | - |
| Underground water supply | 8,070 | 8,070 | 8,070 | |
| Total general government | 2,150,543 | 2,205,850 | 2,130,595 | 75,255 |

General Fund Schedule of Expenditures by Activity Budget and Actual For the Year Ended December 31, 2004 (Continued)

| | | | | Variance |
|-------------------------------------|-----------|-----------|-----------|------------|
| | Original | Amended | | Positive |
| | Budget | Budget | Actual | (Negative) |
| Public safety: | | | | |
| Sheriff | 1,349,761 | 1,361,661 | 1,347,345 | 14,316 |
| Criminal justice training | 5,000 | 7,828 | 7,828 | 14,010 |
| Victim advocate | 1,000 | 1,250 | 1,235 | 15 |
| Marine safety | 61,130 | 61,130 | 43,863 | 17,267 |
| Secondary road patrol | 127,130 | 127,130 | 126,558 | 572 |
| COPS fast grant | 127,100 | 329 | 329 | 012 |
| | 4,000 | 4,000 | 3,023 | 977 |
| Firefighters training | 1,000,981 | 1,000,981 | 1,001,661 | (680) |
| Jail operations | | | | , , |
| Emergency service | 41,397 | 134,792 | 137,240 | (2,448) |
| Planning commission | 04.000 | 00.705 | 00.004 | 0.044 |
| Board of appeals | 31,808 | 29,725 | 26,381 | 3,344 |
| Plat board | 555 | 555 | - | 555 |
| Ambulance | 25,700 | 25,700 | 25,200 | 500 |
| Animal control | 20,000 | 41,078 | 41,078 | |
| Total public safety | 2,668,462 | 2,796,159 | 2,761,741 | 34,418 |
| Public works: | | | | |
| Department of public works | 1,694 | 1,694 | 226 | 1,468 |
| Drain at-large | 312,091 | 312,091 | 312,091 | - |
| County landfills | 5,850 | 6,450 | 6,384 | 66 |
| Total public works | 319,635 | 320,235 | 318,701 | 1,534 |
| Health and welfare: | | | | |
| Influence of land use/water quality | - | 42,898 | 42,898 | - |
| Medical examiners | 21,960 | 21,960 | 12,238 | 9,722 |
| Mental health | 250,893 | 250,893 | 250,893 | _ |
| Veterans burials | 4,700 | 4,700 | 3,825 | 875 |
| Veterans counselor | 6,900 | 26,425 | 24,995 | 1,430 |
| Total health and welfare | 284,453 | 346,876 | 334,849 | 12,027 |
| Economic development: | | | | |
| Economic development corporation | 70,000 | 70,000 | 70,000 | - |
| Recreation and cultural: | | | | |
| Ice arena | 53,172 | 57,172 | 57,091 | 81 |
| Fair board | 7,000 | 7,000 | 7,000 | |
| Nature center | 2,000 | 2,000 | 2,000 | |
| Total recreation and cultural | 62,172 | 66,172 | 66,091 | 81 |
| | | | | |

General Fund Schedule of Expenditures by Activity Budget and Actual For the Year Ended December 31, 2004 (Continued)

| | Original Budget | Amended Budget | Actual | Variance Positive (Negative) |
|-------------------------------|--------------------|-------------------|--------------|------------------------------------|
| Other: | | | | |
| Employees' hospital insurance | 1,215,326 | 1,300,426 | 1,345,410 | (44,984) |
| Insurance | 236,000 | 236,000 | 234,532 | 1,468 |
| Other fringe benefits | 50 | 50 | - | 50 |
| Unemployment insurance | 72,200 | 68,328 | 44,724 | 23,604 |
| Bonds | 6,970 | 6,970 | 6,358 | 612 |
| Workmen's comp insurance | 80,000 | 80,000 | 60,853 | 19,147 |
| Contingency | 110,653 | 285,847 | | 285,847 |
| Total other | 1,721,199 | 1,977,621 | 1,691,877 | 285,744 |
| Debt service: | | | | |
| Principal | 135,000 | 135,000 | 135,000 | - |
| Interest | 39,917 | 40,042 | 40,041 | 1 |
| Total debt service | 174,917 | 175,042 | 175,041 | 1 |
| Total expenditures | \$ 9,204,539 | \$ 9,732,826 | \$ 9,288,482 | \$ 444,344 |

General Fund Schedule of Operating Transfers Budget and Actual For the Year Ended December 31, 2004

| | Original Budget | mended Budget | Actual | Variance Positive Negative) |
|---------------------------------------|------------------------|----------------------|-------------------|-----------------------------------|
| Operating Transfers In: | | | | |
| 100% Tax payment | \$ 304,813 | \$ 304,813 | \$ 304,813 | \$ - |
| Revenue reserve | | <u>-</u> | 446,075 | 446,075 |
| Total operating transfers in | \$ 304,813 | \$ 304,813 | \$ 750,888 | \$ 446,075 |
| Operating Transfers Out: | | | | |
| Child care | \$ 575,000 | \$ 661,000 | \$ 661,000 | \$ - |
| Health department | | | | |
| Contagious disease | 20,000 | 20,400 | 20,400 | - |
| Family Independence Agency | 14,000 | 14,000 | 14,000 | - |
| Soldiers' relief | 500 | 500 | 500 | - |
| Health department | 226,262 | 228,427 | 228,427 | - |
| Airport Retirees' health insurance | 80,000 400,000 | 80,000 400,000 | 80,000 355,000 | 45.000 |
| | 23,000 | 23,000 | 23,000 | 45,000 |
| Law library Public improvement | 15,000 | 15,000 | 15,000 | |
| Total operating transfers out | \$ 1,353,762 | \$ 1,442,327 | \$ 1,397,327 | \$ 45,000 |

| D | Original Budget | Amended Budget | Actual | Variance Positive (Negative) |
|----------------------------------------------|--------------------|-------------------|------------|------------------------------------|
| Revenues: | \$ 189,984 | \$ 187,000 | \$ 176,656 | \$ (10,344) |
| Licenses and permits Federal grants | 622,306 | 736,969 | 716,090 | (20,879) |
| • | • | • | 362,848 | (16,803) |
| State grants | 320,582 | 379,651 | · | • • • |
| Charges for services | 659,916 | 651,289 | 759,905 | 108,616 |
| Other | 18,211 | 47,946 | 54,003 | 6,057 |
| Total revenues | 1,810,999 | 2,002,855 | 2,069,502 | 66,647 |
| Expenditures: | | | | |
| Health and welfare | 2,267,901 | 2,280,944 | 2,340,198 | (59,254) |
| Excess of revenues over (under) expenditures | (456,902) | (278,089) | (270,696) | 7,393 |
| Other financing sources: | | | | |
| Operating transfers in | 268,000 | 268,000 | 278,294 | 10,294 |
| operating numbers in | | | | |
| Excess of revenues and other financing | | | | |
| sources over (under) expenditures | (188,902) | (10,089) | 7,598 | 17,687 |
| E Halana I I I I I I I | 044.004 | 044.004 | 044.004 | |
| Fund balance, beginning of year | 641,834 | 641,834 | 641,834 | |
| Fund balance, end of year | \$ 452,932 | \$ 631,745 | \$ 649,432 | \$ 17,687 |

| Revenues: | Original Budget | Amended Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|--------------------|-------------------|--------------|------------------------------------|
| Taxes | \$ 1,303,343 | \$ 1,303,343 | \$ 1,297,969 | \$ (5,374) |
| State grants | 29,964 | 29,964 | Ψ 1,237,303 | (29,964) |
| Interest | 4,800 | 4,800 | 3,841 | (959) |
| Total revenues | 1,338,107 | 1,338,107 | 1,301,810 | (36,297) |
| Expenditures: Other | 1,345,107 | 1,345,107 | 1,320,972 | 24,135 |
| Excess of revenues over expenditures | (7,000) | (7,000) | (19,162) | (12,162) |
| Fund balance, beginning of year | 36,867 | 36,867 | 36,867 | |
| Fund balance, end of year | \$ 29,867 | \$ 29,867 | \$ 17,705 | \$ (12,162) |

| Daviers | Origin Budge | | Amer Bud | | Actual | Variance Positive (Negative) |
|---------------------------------------------------------------|-----------------|----------|-------------|----------|--------------|------------------------------------|
| Revenues: Taxes | \$ | - | \$ | - | \$ 1,976,361 | \$ 1,976,361 |
| Other financing uses: Operating transfers out | | <u>-</u> | | <u>-</u> | (446,075) | (446,075) |
| Excess of revenues and other financing uses over expenditures | | - | | - | 1,530,286 | 1,530,286 |
| Fund balance, beginning of year | | | | | - | |
| Fund balance, end of year | \$ | | \$ | | \$ 1,530,286 | \$ 1,530,286 |

| | Parks | | Probation Officer Parks Compliance | | Friend of the Court | |
|---------------------------------------------|-------|--------------|------------------------------------|------------|---------------------------|--------------|
| Assets | • | 550.450 | • | | • | |
| Cash and cash equivalents Receivables | \$ | 558,158 | \$ | - | \$ | - |
| Property taxes | | - | | - | | - |
| Accounts and interest Due from other funds | | - 141 | | - 1,630 | | - 151,949 |
| Due from other governmental units | | - | | 1,030 | | 151,949 |
| Advances | | | | | | - |
| Total assets | \$ | 558,299 | \$ | 1,630 | \$ | 151,949 |
| Liabilities and Fund Balance | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ | - | \$ | 53 | \$ | - |
| Accrued liabilities Due to other funds | | - | | - | | - |
| Due to component units | | 312,382 | | _ | | - |
| Due to other governmental units | | - | | - | | - |
| Deferred revenue | | <u>-</u> | | | | |
| Total liabilities | | 312,382 | | 53 | | - |
| Fund balance: | | | | | | |
| Reserved | | 444.000 | | | | |
| Capital projects Debt service | | 144,938 - | | - | | - |
| Unreserved | | 100,979 | | 1,577 | | 151,949 |
| Total fund balance | | 245,917 | | 1,577 | | 151,949 |
| Total liabilities and fund balance | \$ | 558,299 | \$ | 1,630 | \$ | 151,949 |

Nonmajor Governmental Funds Combining Balance Sheet December 31, 2004

| Imp | Public rovement Fund | Building partment | Register of Deeds Automation | | Con | isaster itingency Fund | 0 | Correction officer's raining |
|-----|----------------------------|----------------------|------------------------------------|----------|-----|------------------------------|----|------------------------------------|
| \$ | 56,344 | \$ - | \$ | 48,135 | \$ | - | \$ | - |
| | - | - | | - | | - | | - |
| | 15,000 | 54,418 | | - | | 2,500 | | 3,442 |
| | <u>-</u> | - | | <u>-</u> | | <u> </u> | | <u>-</u> |
| \$ | 71,344 | \$ 54,418 | \$ | 48,135 | \$ | 2,500 | \$ | 3,442 |
| | | | | | | | | |
| \$ | - | \$ 1,031 9,089 | \$ | - | \$ | - | \$ | - |
| | - | - | | - | | - | | - |
| | - | - | | - | | - | | - |
| | | | | <u>-</u> | | | - | |
| | - | 10,120 | | - | | - | | - |
| | | | | | | | | |
| | - | - | | - | | - | | - |
| | 71,344 | 44,298 | | 48,135 | | 2,500 | | 3,442 |
| | 71,344 | 44,298 | | 48,135 | | 2,500 | | 3,442 |
| \$ | 71,344 | \$ 54,418 | \$ | 48,135 | \$ | 2,500 | \$ | 3,442 |

| | Airport | mergency one Service Wired | Phone | ergency Service reless |
|---------------------------------------------------------|--------------|----------------------------------|-------|------------------------------|
| Cash and cash equivalents Receivables | \$ 268 | \$ 135,636 | \$ | - |
| Property taxes | - | - | | - |
| Accounts and interest Due from other funds | - 55,874 | 96,437 326,331 | | 13 |
| Due from other governmental units | - | - | | - |
| Advances | 36,433 | - | | <u>-</u> |
| Total assets | \$ 92,575 | \$ 558,404 | \$ | 13 |
| Liabilities and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts payable Accrued liabilities | \$ - | \$ 3,938 9,266 | \$ | - |
| Due to other funds | - | 9,200 | | - |
| Due to component units Due to other governmental units | 47,619 | - | | - |
| Deferred revenue | <u>-</u> | - | | <u>-</u> |
| Total liabilities | 47,619 | 13,204 | | - |
| Fund balance: | | | | |
| Reserved Capital projects | 20,000 | _ | | _ |
| Debt service | - | - | | _ |
| Unreserved | 24,956 | 545,200 | | 13 |
| Total fund balance | 44,956 | 545,200 | | 13 |
| Total liabilities and fund balance | \$ 92,575 | \$ 558,404 | \$ | 13 |

Nonmajor Governmental Funds Combining Balance Sheet December 31, 2004

| rug Law orcement | Law Library | | Develo | Community Development Grant | | Revolving Loan Fund | Department of Human Services | |
|---------------------------|----------------|-------------------------|--------|-----------------------------------|----|---------------------------|------------------------------------|------------------|
| \$ 500 | \$ | - | \$ | - | \$ | 269,933 | \$ | 12,645 |
| - - 8,158 - - | | - - 412 - - | | - - - - | | 250,972 - - - | | 34,333 16,718 |
| \$ 8,658 | \$ | 412 | \$ | _ | \$ | 520,905 | \$ | 63,696 |
| | | | | | | | | |
| \$ - | \$ | 119 | \$ | - | \$ | - | \$ | 7,961 |
| - - | | - | | - | | 12,000 | | - |
| <u>-</u> | | - - | | <u>-</u> | | - 250,972 | | 39,000 |
| - | | 119 | | - | | 262,972 | | 46,961 |
| | | | | | | | | |
| - | | - | | - | | - | | - |
| 8,658 | , | 293 | | <u>-</u> | | 257,933 | | 16,735 |
| 8,658 | | 293 | | <u>-</u> | | 257,933 | | 16,735 |
| \$ 8,658 | \$ | 412 | \$ | | \$ | 520,905 | \$ | 63,696 |

| | Child Care | oldiers' Relief | Veterans' Trust | |
|---------------------------------------------------------|---------------|--------------------|--------------------|------------|
| Assets | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ | - |
| Receivables | | | | |
| Property taxes | - | - | | - |
| Accounts and interest Due from other funds | - 86,967 | - 4,157 | | 570 |
| Due from other lunds Due from other governmental units | 21,870 | 4,157 | | 570 |
| Advances | 21,070 | _ | | _ |
| Advances | | | | |
| Total assets | \$ 108,837 | \$ 4,157 | \$ | 570 |
| Liabilities and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 84,569 | \$ - | \$ | - |
| Accrued liabilities | - | - | | - |
| Due to other funds | - | - | | - |
| Due to component units | - | - | | - |
| Due to other governmental units Deferred revenue | - | - | | - |
| Deletted revenue | | | | · <u>-</u> |
| Total liabilities | 84,569 | - | | - |
| Fund balance: | | | | |
| Reserved | | | | |
| Capital projects | - | - | | - |
| Debt service | - | - | | _ |
| Unreserved | 24,268 | 4,157 | | 570 |
| Total fund balance | 24,268 | 4,157 | | 570 |
| Total liabilities and fund balance | \$ 108,837 | \$ 4,157 | \$ | 570 |

Nonmajor Governmental Funds Combining Balance Sheet December 31, 2004 (Continued)

| SPECIAL REVENUE FUNDS | | SERVICE JND | AL PROJECT FUND | | |
|----------------------------------------------|----|---------------------------------|-----------------------------|------------------------------------------------------|--------------------------------------------------------------------------------|
| Older Citizens' Fund | | Retirees' Health nsurance | lding hority | Jail | Total |
| \$ 317,353 | \$ | 145,020 | \$ 68 | \$ - | \$ 1,544,060 |
| 278,378 - 2,831 - - | | - - 334 - - | - - - - | - - 12,587 - - | 278,378 347,409 761,647 38,588 36,433 |
| \$ 598,562 | \$ | 145,354 | \$ 68 | \$ 12,587 | \$ 3,006,515 |
| \$ - - - - 278,378 278,378 | \$ | - - - - - | \$ - - - - - | \$ 12,587 - - - - - - 12,587 | \$ 110,258 18,355 12,000 360,001 39,000 529,350 1,068,964 |
| 320,184 320,184 | | - 145,354 145,354 | 68 - 68 | - - - - | 164,938 68 1,772,545 1,937,551 |
| \$ 598,562 | \$ | 145,354 | \$ 68 | \$ 12,587 | \$ 3,006,515 |

| | Parks | C | obation Officer opliance | Friend of the Court |
|----------------------------------------------|---------------|----|--------------------------------|---------------------------|
| Revenues: | | | | |
| Taxes | \$ - | \$ | - | \$ - |
| Licenses and permits | - | | - | - |
| Federal grants | - | | - | - |
| State grants | - | | - | 3,422 |
| Charges for services | - | | - | 3,290 |
| Fines and forfeitures | 4.400 | | - | - |
| Interest | 4,188 | | - | - |
| Rents | 931,423 | | - | - |
| Other | 3,000 | | | |
| Total revenues | 938,611 | | - | 6,712 |
| Expenditures: | | | | |
| Current | | | 7.505 | F 450 |
| Judicial | - | | 7,505 | 5,150 |
| General government Public safety | - | | - | - |
| Public works | - | | - | - |
| Health and welfare | - | | <u>-</u> | _ |
| Economic development | _ | | _ | _ |
| Recreation and cultural | 866,819 | | - | _ |
| Other | - | | _ | _ |
| Debt service | | | | |
| Principal | - | | - | _ |
| Interest and charges | | | | |
| Total expenditures | 866,819 | | 7,505 | 5,150 |
| Excess of revenues over (under) expenditures | 71,792 | | (7,505) | 1,562 |
| ` ' ' | , | | (, , | , |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | | - | - |
| Operating transfers out | | | - | <u> </u> |
| Total other financing sources (uses) | - | | - | - |
| Special items: | | | | |
| Sale of Easement/Land | 128,046 | | | - |
| Net change in fund balance | 199,838 | | (7,505) | 1,562 |
| Fund balance, beginning of year | 46,079 | | 9,082 | 150,387 |
| Fund balance, end of year | \$ 245,917 | \$ | 1,577 | \$ 151,949 |

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended December 31, 2004

| lmp | Public rovement Fund | E De | Building epartment | of [| gister Deeds mation | Disaster Contingency Fund | | 0 | Correction fficer's raining |
|-----|----------------------------|---------|-----------------------|------|---------------------------|---------------------------------|--------------|-------------|-----------------------------------|
| \$ | - - | \$ | 394,229 | \$ | - | \$ | - | \$ | - |
| | - | | - | | - 55,265 | | - | | 10,813 |
| | - | | - | | - | | - | | - |
| | 566 - | | - | | 150 - | | - | | - |
| | - | | 184 | | - | | - | | |
| | 566 | | 394,413 | | 55,415 | | - | | 10,813 |
| | | | | | | | | | |
| | - 1,410 | | - | | 52,085 | | - | | - |
| | - | | 373,915 | | - | | - | | 7,371 |
| | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - |
| | _ | | _ | | - | | - | | _ |
| | - | | - | | - | | - | | - |
| | 1,410 | | 373,915 | | 52,085 | | | | 7,371 |
| | _ | | | | | | | | |
| | (844) | | 20,498 | | 3,330 | | - | | 3,442 |
| | 15,000 | | - | | - | | - | | - |
| | - | | - | | | | | | |
| | 15,000 | | - | | - | | - | | - |
| | _ | | _ | | _ | | _ | | _ |
| | 14,156 | | 20,498 | | 3,330 | | | - | 3,442 |
| | | | | | | | 0.500 | | 0,774 |
| | 57,188 | | 23,800 | | 44,805 | | 2,500 | | - |
| \$ | 71,344 | \$ | 44,298 | \$ | 48,135 | \$ | 2,500 | \$ | 3,442 |

| | Airport | _ | Phor | nergency ne Service Wired | Emergency Phone Service Wireless | | |
|----------------------------------------------|-------------|--------------|------|---------------------------------|----------------------------------------|----------|--|
| Revenues: | | | | | | | |
| Taxes | \$ | - | \$ | - | \$ | - | |
| Licenses and permits | | - | | - | | - | |
| Federal grants | 383,66 | | | - | | - | |
| State grants | 14,41 | | | 860,227 | | 101 647 | |
| Charges for services Fines and forfeitures | 1,79 | - | | 000,227 | | 101,647 | |
| Interest | | _ | | 622 | | _ | |
| Rents | 12,13 | 9 | | - | | - | |
| Other | 49,51 | | | | | - | |
| Total revenues | 461,53 | 3 | | 860,849 | | 101,647 | |
| Expenditures: | | | | | | | |
| Current Judicial | | | | | | | |
| General government | | _ | | _ | | - | |
| Public safety | | _ | | 628,299 | | 101,647 | |
| Public works | 513,70 | 6 | | - | | - | |
| Health and welfare | , | - | | - | | - | |
| Economic development | | ~ | | - | | - | |
| Recreation and cultural | | - | | - | | - | |
| Other | | - | | - | | - | |
| Debt service | 4.07 | • | | | | | |
| Principal | 1,37 | | | - | | - | |
| Interest and charges | 35 | <u>3</u> | | | | | |
| Total expenditures | 515,42 | 9_ | | 628,299 | | 101,647 | |
| Excess of revenues over (under) expenditures | (53,89 | 6) | | 232,550 | | - | |
| Other financing sources (uses): | | | | | | | |
| Operating transfers in | 80,00 | 0 | | - | | - | |
| Operating transfers out | | <u>-</u> | | (136,955) | | - | |
| Total other financing sources (uses) | 80,00 | 0 | | (136,955) | | - | |
| Special items: | | | | | | | |
| Sale of Easement/Land | | - | | | | <u> </u> | |
| Net change in fund balance | 26,10 | 4 | | 95,595 | | - | |
| Fund balance, beginning of year | 18,85 | 2 | | 449,605 | | 13 | |
| Fund balance, end of year | \$ 44,95 | 6 | \$ | 545,200 | \$ | 13 | |

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended December 31, 2004 (Continued)

| Dru Enfor | g Law cement | La Libi | | Deve | nmunity lopment Grant | evolving Loan Fund | of | partment Human ervices |
|--------------|-----------------|------------|----------|----------------|-----------------------------|------------------------------|----|------------------------------|
| \$ | - | \$ | - | \$ | - | \$ - | \$ | - |
| | - | | - | | 20,442 | - | | - |
| | - | | - | | - | - | | 188,458 |
| | 349 | | 4,500 | | - | - | | - |
| | - | | - | | - | 15,035 | | - |
| | <u>-</u> | | <u>-</u> | | <u> </u> | 101,983 | | 6,895 |
| | 349 | | 4,500 | | 20,442 | 117,018 | | 195,353 |
| | - | | 29,945 | | - | - | | - |
| | 150 | | - | | - | - | | - |
| | - | | - | | - | - | | - |
| | - | | - | | 20,442 | 33,782 | | 212,626 - |
| | - | | - | | - | - | | - |
| | - | | - | | - | - | | - |
| | - | | - | | - | - | | - |
| | 150 | | 29,945 | :- | 20,442 | 33,782 | - | 212,626 |
| | 199 | | (25,445) | | - | 83,236 | | (17,273) |
| | <u>-</u> | | 23,000 | | <u>-</u> | <u>-</u> | | 14,000 |
| | - | | 23,000 | | - | - | | 14,000 |
| | | | | | <u> </u> | - | | |
| | 199 | | (2,445) | | - | 83,236 | | (3,273) |
| | 8,459 | | 2,738 | | <u>-</u> _ | 174,697 | | 20,008 |
| \$ | 8,658 | \$ | 293 | \$ | | \$ 257,933 | \$ | 16,735 |

| | | Child Care | Soldiers' Relief | Veterans' Trust | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------------|----------------------------------------------|------------------------------------------|--|
| Revenues: Taxes Licenses and permits Federal grants State grants Charges for services Fines and forfeitures Interest Rents Other | \$ | 96,473 - - - - - 40,571 | \$ - - - - - - 2,555 | \$ 3,457 - - - - - | |
| Total revenues | | 137,044 | 2,555 | 3,457 | |
| Expenditures: Current Judicial General government Public safety Public works Health and welfare Economic development Recreation and cultural Other Debt service Principal Interest and charges | | 798,365 - - - - - | - - - 1,253 - - - - | - - - 3,913 - - - - | |
| Total expenditures | | 798,365 | 1,253 | 3,913 | |
| Other financing sources (uses): Operating transfers in Operating transfers out Total other financing sources (uses) | | 661,000 661,000 | 500 500 | (456) - - - | |
| Special items: Sale of Easement/Land | | _ | _ | _ | |
| Net change in fund balance | | (321) | 1,802 | (456) | |
| Fund balance, beginning of year | | 24,589 | 2,355 | 1,026 | |
| Fund balance, end of year | \$ | 24,268 | \$ 4,157 | \$ 570 | |

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended December 31, 2004 (Continued)

| SPECIA | AL REVEN | NUE FUNDS | | DEBT SI FUI | | | PROJECT ND | |
|----------------------------|-----------------------------|----------------------------------|--------------------------------------|----------------|---------------------------------|----|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Older Citizens' Fund | | Retirees' Health Insurance | | Build Autho | | J | ail | Total |
| \$ 261,6 | - - - - | 1,09 | - - - - - 6 - - | \$ | - - - - - - - | \$ | - - - - - - - | \$ 261,624 394,229 404,108 306,226 1,033,039 4,849 24,606 943,562 204,703 |
| 264,5 | 73 | 1,09 | 6 | | - | | - | 3,576,946 |
| 203,1 203,1 61,3 | - - - - - 88 | 338,37 | - - 8_ | 1 | 25,000 11,955 36,955) | | - - - - - - - - - | 42,600 53,495 1,111,382 513,706 1,219,345 54,224 866,819 338,378 126,370 12,308 4,338,627 (761,681) |
| (33,0 | | 355,00 355,00 | <u>-</u> | | 36,955 - 36,955 | | - - | 1,285,455 (169,955) 1,115,500 |
| 28,3 | 99_ | 17,71 127,63 | <u>6</u> | | - - 68 | | <u>-</u> - | 128,046 481,865 1,455,686 |
| \$ 320,1 | 84 | \$ 145,35 | 4 | \$ | 68 | \$ | - | \$ 1,937,551 |

PARKS

| | Amended Budget | Actual | Variance Positive (Negative) |
|----------------------------------------------------------------------------|---------------------|------------------------------|------------------------------------|
| Revenues: Interest Rents Other | \$ - 931,000 | \$ 4,188 931,423 3,000 | \$ 4,188 423 3,000 |
| Total revenues | 931,000 | 938,611 | 7,611 |
| Expenditures: Recreation and cultural Excess of revenues over expenditures | 868,000 63,000 | 866,819 71,792 | 1,181 8,792 |
| Special items: Sale of Easement/Land | 128,046_ | 128,046 | |
| Net change in fund balance | 191,046 | 199,838 | 8,792 |
| Fund balance, beginning of year | 46,079 | 46,079 | |
| Fund balance, end of year | \$ 237,125 | \$ 245,917 | \$ 8,792 |

PROBATION OFFICER COMPLIANCE

| | | ended udget | A | ctual | Variance Positive (Negative) | |
|---------------------------------------|-----|----------------|----|---------|------------------------------|---------|
| Revenues: Other | \$ | - | \$ | _ | \$ | - |
| Expenditures: Judicial | | | | 7,505 | | (7,505) |
| Excess of revenues under expenditures | | - | | (7,505) | | (7,505) |
| Fund balance, beginning of year | | 9,082 | | 9,082 | | |
| Fund balance, end of year | _\$ | 9,082 | \$ | 1,577 | \$ | (7,505) |

FRIEND OF THE COURT

| | Amended Budget | | | Actual | | Variance Positive (Negative | |
|----------------------------------------------|-------------------|----------------|-----|----------------|--|-----------------------------------|----------------|
| Revenues: State grants Charges for services | \$ | 4,000 1,500 | \$ | 3,422 3,290 | | \$ | (578) 1,790 |
| Total revenues | | 5,500 | | 6,712 | | | 1,212 |
| Expenditures: Judicial | | 12,210 | _ | 5,150 | | | 7,060 |
| Excess of revenues over (under) expenditures | | (6,710) | | 1,562 | | | 8,272 |
| Fund balance, beginning of year | | 150,387 | _ | 150,387 | | | |
| Fund balance, end of year | | 143,677 | \$_ | 151,949 | | \$ | 8,272 |

PUBLIC IMPROVEMENT FUND

| | Amer Buo | nded Iget | octual | Variance Positive (Negative) | |
|------------------------------------------------------------------|-------------|--------------|--------------|------------------------------------|---------|
| Revenues: Interest | \$ | - | \$ 566 | \$ | 566 |
| Expenditures: General government | | <u>-</u> | 1,410 | | (1,410) |
| Excess of revenues under expenditures | | - | (844) | | (844) |
| Other financing sources: Operating transfers in | | | 15,000 | | 15,000 |
| Excess of revenues and other financing sources over expenditures | | - | 14,156 | | 14,156 |
| Fund balance, beginning of year | | 57,188 | 57,188 | | |
| Fund balance, end of year | \$ | 57,188 | \$ 71,344 | \$ | 14,156 |

BUILDING DEPARTMENT

| | Amended Budget | | | Actual | | | Variance Positive (Negative) | | |
|--------------------------------------|-------------------|----------------|--|--------|----------------|--|------------------------------------|------------------|--|
| Revenues: Licenses and permits Other | \$ | 397,980 500 | | \$ | 394,229 184 | | \$ | (3,751) (316) | |
| Total revenues | | 398,480 | | | 394,413 | | | (4,067) | |
| Expenditures: Public safety | | 398,480 | | | 373,915 | | | 24,565 | |
| Excess of revenues over expenditures | | - | | | 20,498 | | | 20,498 | |
| Fund balance, beginning of year | | 23,800 | | | 23,800 | | | | |
| Fund balance, end of year | \$ | 23,800 | | \$ | 44,298 | | \$ | 20,498 | |

REGISTER OF DEEDS AUTOMATION

| | Amended Budget | | | Actual | P | ariance ositive egative) |
|----------------------------------------------|-------------------|--------------|-----------|---------------|----|--------------------------------|
| Revenues: Charges for services Interest | \$ | 55,520 20 | \$ | 55,265 150 | \$ | (255) 130 |
| Total revenues | | 55,540 | | 55,415 | | (125) |
| Expenditures: General government | | 68,925 | | 52,085 | | 16,840 |
| Excess of revenues over (under) expenditures | | (13,385) | | 3,330 | | 16,715 |
| Fund balance, beginning of year | | 44,805 | | 44,805 | | |
| Fund balance, end of year | \$ | 31,420 | <u>\$</u> | 48,135 | \$ | 16,715 |

DISASTER CONTINGENCY FUND

| | ended udget | A | ctual | Variance Positive (Negative) | |
|--------------------------------------|----------------|----|----------|------------------------------------|---|
| Revenues: Other | \$ - | \$ | - | \$ | - |
| Expenditures: General government | | | <u>-</u> | | |
| Excess of revenues over expenditures | - | | - | | - |
| Fund balance, beginning of year | 2,500 | | 2,500 | | |
| Fund balance, end of year | \$ 2,500 | \$ | 2,500 | \$ | |

LOCAL CORRECTION OFFICER'S TRAINING

| | Ame Bud | nded dget | Actual | F | Variance Positive (Negative) | |
|---------------------------------------|------------|--------------|--------------|----|------------------------------------|--|
| Revenues: | | | | | | |
| Charges for services | \$ | - | \$ 10,813 | \$ | 10,813 | |
| Expenditures: Public safety | | | 7,371 | | (7,371) | |
| Excess of revenues under expenditures | | - | 3,442 | | 3,442 | |
| Fund balance, beginning of year | | | - | | - | |
| Fund balance, end of year | \$ | | \$ 3,442 | \$ | 3,442 | |

AIRPORT

| | Amended Budget | Actual | Variance Positive (Negative) | |
|------------------------------------------------------------------|-------------------|------------|------------------------------------|--|
| Revenues: | | | | |
| Federal grants | \$ 297,475 | \$ 383,666 | \$ 86,191 | |
| State grants | 12,395 | 14,416 | 2,021 | |
| Charges for services | 1,450 | 1,797 | 347 | |
| Rents | 11,050 | 12,139 | 1,089 | |
| Other | 50,700 | 49,515 | (1,185) | |
| Total revenues | 373,070 | 461,533 | 88,463 | |
| Expenditures: | | | | |
| Public works | 446,570 | 513,706 | (67,136) | |
| Debt service | | | | |
| Principal | 1,375 | 1,370 | 5 | |
| Interest | 375 | 353 | 22 | |
| Total expenditures | 448,320 | 515,429 | (67,109) | |
| Excess of revenues under expenditures | (75,250) | (53,896) | 21,354 | |
| Other financing sources: Operating transfers in | 80,000 | 80,000 | <u> </u> | |
| Excess of revenues and other financing sources over expenditures | 4,750 | 26,104 | 21,354 | |
| Fund balance, beginning of year | 18,852 | 18,852 | - | |
| Fund balance, end of year | \$ 23,602 | \$ 44,956 | \$ 21,354 | |

EMERGENCY PHONE SERVICE - WIRED

| | | mended Budget | | Actual | F | /ariance Positive legative) | |
|---------------------------------------------------------------|-----|------------------|--------|----------------|----|------------------------------------|--|
| Revenues: Charges for services Interest | \$ | 874,000 | \$ | 860,227 622 | \$ | (13,773) 622 | |
| Total revenues | | 874,000 | | 860,849 | | (13,151) | |
| Expenditures: Public safety | | 736,000 | | 628,299 | | 107,701 | |
| Excess of revenues over expenditures | | 138,000 | | 232,550 | | 94,550 | |
| Other financing uses: Operating transfers out | | (138,000) | | (136,955) | | 1,045 | |
| Excess of revenues over expenditures and other financing uses | | - | | 95,595 | | 95,595 | |
| Fund balance, beginning of year | | 449,605 | | 449,605 | | - | |
| Fund balance, end of year | \$ | 449,605 | \$ | 545,200 | | 95,595 | |
| EMERGENCY | PHC | ONE SERVICE | - WIRE | LESS | | | |
| | | mended Budget | • | Actual | F | Variance Positive (Negative) | |
| Revenues: Charges for services | \$ | 75,000 | \$ | 101,647 | \$ | 26,647 | |
| Expenditures: Public safety | | 75,000 | | 101,647 | | (26,647) | |
| Excess of revenues over expenditures | | - | | - | | - | |
| Fund balance, beginning of year | | 13 | | 13_ | | | |
| Fund balance, end of year | \$ | 13 | \$ | 13 | \$ | - | |

DRUG LAW ENFORCEMENT

| | Amended Budget | | A | ctual | Variance Positive (Negative) | |
|----------------------------------------------|-------------------|---------|----|-------|------------------------------|-------|
| Revenues: Fines and forfeitures | \$ | 449 | \$ | 349 | \$ | (100) |
| Expenditures: Public safety | | 8,408 | | 150 | | 8,258 |
| Excess of revenues over (under) expenditures | | (7,959) | | 199 | | 8,158 |
| Fund balance, beginning of year | | 8,459 | | 8,459 | | |
| Fund balance, end of year | \$ | 500 | \$ | 8,658 | \$ | 8,158 |

LAW LIBRARY

| | Amended Budget | | | Actual | P | riance ositive egative) |
|--------------------------------------------------------------------------|----------------|----------|----|----------|----|-------------------------------|
| Revenues: Fines and forfeitures | \$ | 4,500 | \$ | 4,500 | \$ | - |
| Expenditures: Judicial | | 27,500 | | 29,945 | | (2,445) |
| Excess of revenues under expenditures | | (23,000) | | (25,445) | | (2,445) |
| Other financing sources: Operating transfers in | | 23,000 | | 23,000 | | |
| Excess of revenues and other financing sources over (under) expenditures | | - | | (2,445) | | (2,445) |
| Fund balance, beginning of year | | 2,738 | | 2,738 | | |
| Fund balance, end of year | \$ | 2,738 | \$ | 293 | \$ | (2,445) |

COMMUNITY DEVELOPMENT GRANT

| | | mended Budget | | Actual | Variance Positive (Negative) | | |
|--------------------------------------|-----|------------------|----|----------|------------------------------------|-----------|--|
| Revenues: Federal grants | \$ | 609,995 | \$ | 20,442 | \$ | (589,553) | |
| Expenditures: Economic development | r | 609,995 | · | 20,442 | · | 589,553 | |
| Excess of revenues over expenditures | | - 009,995 | | 20,442 | | - | |
| Fund balance, beginning of year | | - | | <u>-</u> | | | |
| Fund balance, end of year | _\$ | | \$ | | _\$ | | |

REVOLVING LOAN FUND

| | Amended Budget | | Actual | | Variance Positive (Negative) | |
|----------------------------------------------|-------------------|------------------|--------|-------------------|------------------------------|-----------------|
| Revenues: Interest Other | \$ | 13,676 87,188 | \$ | 15,035 101,983 | \$ | 1,359 14,795 |
| Total revenues | | 100,864 | | 117,018 | | 16,154 |
| Expenditures: Economic development | | 170,864 | | 33,782 | | 137,082 |
| Excess of revenues over (under) expenditures | | (70,000) | | 83,236 | | 153,236 |
| Fund balance, beginning of year | | 174,697 | | 174,697 | | |
| Fund balance, end of year | \$ | 104,697 | \$ | 257,933 | \$ | 153,236 |

DEPARTMENT OF HUMAN SERVICES

| | Amended Budget | Actual | Variance Positive (Negative) |
|--------------------------------------------------------------------------|----------------------|---------------------|------------------------------|
| Revenues: State grants Other | \$ 200,000 11,000 | \$ 188,458 6,895 | \$ (11,542) (4,105) |
| Total revenues | 211,000 | 195,353 | (15,647) |
| Expenditures: Health and welfare | 218,000 | 212,626 | 5,374 |
| Excess of revenues under expenditures | (7,000) | (17,273) | (10,273) |
| Other financing sources: Operating transfers in | 14,000 | 14,000_ | |
| Excess of revenues and other financing sources over (under) expenditures | 7,000 | (3,273) | (10,273) |
| Fund balance, beginning of year | 20,008 | 20,008 | |
| Fund balance, end of year | \$ 27,008 | \$ 16,735 | \$ (10,273) |

CHILD CARE

| | Amended Budget | Actual | Variance Positive (Negative) |
|-------------------------------------------------------------------|---------------------|---------------------|------------------------------------|
| Revenues: | \$ 70,000 | \$ 96,473 | Ф 06.472 |
| State grants Other | \$ 70,000 19,000 | \$ 96,473 40,571 | \$ 26,473 21,571 |
| Total revenues | 89,000 | 137,044 | 48,044 |
| Expenditures: Health and welfare | 664,000 | 798,365 | (134,365) |
| Excess of revenues under expenditures | (575,000) | (661,321) | (86,321) |
| Other financing sources: Operating transfers in | 575,000 | 661,000 | 86,000 |
| Excess of revenues and other financing sources under expenditures | - | (321) | (321) |
| Fund balance, beginning of year | 24,589 | 24,589 | |
| Fund balance, end of year | \$ 24,589 | \$ 24,268 | \$ (321) |

SOLDIERS' RELIEF

| | | mended Budget | | Actual | P | ariance ositive egative) |
|--------------------------------------------------------------------------|----|------------------|----|--------|----|--------------------------------|
| Revenues: Other | \$ | - | \$ | 2,555 | \$ | 2,555 |
| Expenditures: Health and welfare | | 2,700 | · | 1,253 | | 1,447 |
| Excess of revenues over (under) expenditures | | (2,700) | | 1,302 | | 4,002 |
| Other financing sources: Operating transfers in | - | 500 | | 500 | | |
| Excess of revenues and other financing sources over (under) expenditures | | (2,200) | | 1,802 | | 4,002 |
| Fund balance, beginning of year | | 2,355 | | 2,355 | | |
| Fund balance, end of year | \$ | 155 | \$ | 4,157 | \$ | 4,002 |

VETERANS' TRUST

| | nended Budget | / | Actual | Po | Variance Positive (Negative) | | |
|---------------------------------------|------------------|----|--------|----|------------------------------------|--|--|
| Revenues: State grants | \$ 3,504 | \$ | 3,457 | \$ | (47) | | |
| Expenditures: Health and welfare | 3,504 | | 3,913 | | (409) | | |
| Excess of revenues under expenditures | - | | (456) | | (456) | | |
| Fund balance, beginning of year | 1,026 | | 1,026 | | | | |
| Fund balance, end of year | \$ 1,026 | \$ | 570 | \$ | (456) | | |

OLDER CITIZENS' FUND

| | Amended Budget | Actual | Variance Positive (Negative) | | |
|--------------------------------------------------------------------------------|------------------------------|--------------------------|--------------------------------|--|--|
| Revenues: Taxes State grants Interest | \$ 262,857 2,785 1,200 | \$ 261,624 - 2,949 | \$ (1,233) (2,785) 1,749 | | |
| Total revenues | 266,842 | 264,573 | (2,269) | | |
| Expenditures: Health and welfare Excess of revenues over (under) expenditures | <u>433,842</u> (167,000) | <u>203,188</u> 61,385 | 230,654 228,385 | | |
| Other financing uses: Operating transfers out | (33,000) | (33,000) | | | |
| Excess of revenues over (under) expenditures and other financing uses | (200,000) | 28,385 | 228,385 | | |
| Fund balance, beginning of year | 291,799 | 291,799 | | | |
| Fund balance, end of year | \$ 91,799 | \$ 320,184 | \$ 228,385 | | |

RETIREES' HEALTH INSURANCE

| | mended Budget | Actual | | Variance Positive (Negative) |
|--------------------------------------------------------------------------|------------------|-------------|----|------------------------------------|
| Revenues: Interest | \$ 2,420 | \$ 1,096 | \$ | (1,324) |
| Expenditures: Other | 452,420 | 338,378 | | 114,042 |
| Excess of revenues over (under) expenditures | (450,000) | (337,282) | | 112,718 |
| Other financing sources: Operating transfers in | 400,000 | 355,000 | _ | (45,000) |
| Excess of revenues and other financing sources over (under) expenditures | (50,000) | 17,718 | | 67,718 |
| Fund balance, beginning of year | 127,636_ | 127,636 | | |
| Fund balance, end of year | \$ 77,636 | 145,354 | \$ | 67,718 |

Nonmajor Enterprise Fund Combining Statement of Net Assets December 31, 2004

| | Commissary Fund | - | | | |
|-------------------------------|--------------------|----------------------------------------------|--|--|--|
| Assets: Due from other funds | \$ 12,804 | ŀ | | | |
| Liabilities: Accounts payable | 2,110 | <u>) </u> | | | |
| Net assets: Unrestricted | \$ 10,694 | <u> </u> | | | |

Nonmajor Enterprise Fund Combining Statement of Revenues, Expenses and Changes in Net Assets December 31, 2004

| | nmissary Fund |
|---------------------------------------------------------|---------------------|
| Operating revenues: Charges for services | \$ 37,609 |
| Operating expenses: Supplies Other services and charges | 34,858 5,116 |
| Total operating expenses | 39,974 |
| Operating loss | (2,365) |
| Net assets, beginning of year | 13,059 |
| Net assets, end of year | \$ 10,694 |

Nonmajor Enterprise Fund Combining Statement of Cash Flows For the Year Ended December 31, 2004

| | Co. | mmissary Fund |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------------------------|
| Cash flows form operating activities: Cash receipts from customers Cash payments to suppliers Internal activity | \$ | 37,609 (40,406) 2,797 |
| Net cash provided by operating activities | | - |
| Cash and cash equivalents, beginning of year | | |
| Cash and cash equivalents, end of year | \$ | |
| Reconciliation of net loss to net cash provided by operating activities: Operating loss for the year Adjustments to reconcile operating loss to net cash provided by operating activities Change in assets and liabilities: | \$ | (2,365) |
| Due from other funds Accounts payable | | 2,797 (432) |
| Net cash provided by operating activities | \$ | - |

| | State Education Tax Collect | Forfeiture and Foreclosure | 100% Tax Payment | 1997 Delinquent Revolving |
|-----------------------------------|-----------------------------------|----------------------------------|------------------------|---------------------------------|
| Assets: | | | | |
| Current assets: | | | | • |
| Cash and cash equivalents | \$ 18,784 | \$ 206,057 | \$ 599,240 | \$ - |
| Investments | - | - | 1,095,167 | - |
| Accounts receivable | | | 00.500 | |
| Property taxes | - | - | 62,596 | - |
| Interest and accounts | - | 568 | 126 | - |
| Due from other funds | - | - | 1,112,868 | - |
| Due from other governmental units | | | 1,492 | |
| Total current assets | 18,784 | 206,625 | 2,871,489 | - |
| Non-current assets: | | | | |
| Delinquent taxes | | | 129,088 | |
| Total assets | 18,784 | 206,625 | 3,000,577 | - |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | _ | _ | 509 | _ |
| Due to other governmental units | 3,579 | 180 | - | - |
| Due to other funds | - | - | - | _ |
| General obligation bonds | - | - | - | - |
| · · | | | | |
| Total liabilities | 3,579 | 180 | 509 | - |
| Net assets: | | | | |
| Restricted | | | | |
| Foreclosure | - | 206,445 | - | - |
| Tax administration | - | - | 128,300 | - |
| Unrestricted | 15,205 | | 2,871,768 | |
| Total net assets | \$ 15,205 | \$ 206,445 | \$ 3,000,068 | <u>\$</u> |

Delinquent Tax Revolving Combining Statement of Net Assets December 31, 2004

| Delin | 1998 Delinquent Revolving | | 1999 Delinquent Revolving | | 2000 Delinquent Revolving | | Delinquent | | 2001 elinquent evolving | 2002 elinquent tevolving | 2003 elinquent Revolving | Total |
|-------|---------------------------------|----|---------------------------------|----|---------------------------------|----|-------------------|-------------------------|-------------------------------|--------------------------------|--------------------------------|-----------|
| \$ | - | \$ | 8,191 350,000 | \$ | 7,104 300,000 | \$ | 41,022 312,000 | \$ 67,053 765,591 | \$ 276,798 404,200 | \$ 1,224,249 3,226,958 | | |
| | - | | 530 - | | 969 - | | 221 - | 103,864 | 231,389 | 399,569 694 | | |
| | <u>-</u> | | | | <u>-</u> | | - 702 | 1,850 | 23,678 | 1,112,868 27,722 | | |
| | - | | 358,721 | | 308,073 | | 353,945 | 938,358 | 936,065 | 5,992,060 | | |
| | | | | | | | | 30,434 | 598,973 | 758,495 | | |
| | - | | 358,721 | | 308,073 | | 353,945 | 968,792 | 1,535,038 | 6,750,555 | | |
| | | | | | _ | | | | | 509 | | |
| | - | | - | | - | | - | _ | _ | 3,759 | | |
| | - | | 70,982 | | _ | | _ | 543,397 | 494,863 | 1,109,242 | | |
| | | | | | <u> </u> | | | 120,000 | 882,273 | 1,002,273 | | |
| | - | | 70,982 | | - | | - | 663,397 | 1,377,136 | 2,115,783 | | |
| | - | | - | | _ | | _ | _ | _ | 206,445 | | |
| | - | | - | | - | | - | - | - | 128,300 | | |
| | | | 287,739 | | 308,073 | | 353,945 | 305,395 | 157,902 | 4,300,027 | | |
| \$ | | \$ | 287,739 | \$ | 308,073 | \$ | 353,945 | \$ 305,395 | \$ 157,902 | \$ 4,634,772 | | |

| | E | State ducation x Collect | orfeiture and reclosure | F | 100% Tax Payment | 1997 Delinquent Revolving | |
|-------------------------------------------------------------------------------------------------|----|--------------------------------|-------------------------------|----|------------------------|---------------------------------|------------------|
| Operating revenues: Charges for services Other | \$ | 6,111 5,504 | \$ 62,626 | \$ | 26,706 | \$ | 1,043 |
| Total operating revenues | | 11,615 | 62,626 | | 26,706 | | 1,043 |
| Operating expenses: Personal services Supplies Other services and charges Debt service Interest | | 1,777 1,284 | 5,211 37,126 | | 45,547 - 14,965 | | - - - - |
| Total operating expenses | | 3,061 | 42,337 | | 60,512 | | |
| Operating income (loss) | | 8,554 | 20,289 | | (33,806) | | 1,043 |
| Non-operating revenues: Interest | | 466 | 1,743 | | 15,350 | | 18 |
| Net income (loss) before operating transfers | | 9,020 | 22,032 | | (18,456) | | 1,061 |
| Operating transfers out: Operating transfers to other funds | | . | | | (304,813) | | |
| Net income (loss) | | 9,020 | 22,032 | | (323,269) | | 1,061 |
| Net assets, beginning of year | | 6,185 | 184,413 | | 3,254,121 | | 2,440 |
| Equity transfers | | <u> </u> | | | 69,216 | | (3,501) |
| Net assets, end of year | \$ | 15,205 | \$ 206,445 | \$ | 3,000,068 | \$ | |

Delinquent Tax Revolving
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended December 31, 2004

| 1998 Delinquent Revolving | | 1999 Delinquent Revolving | | • | | 2001 2002 elinquent Delinquent evolving Revolving | | elinquent | 2003 Delinquent Revolving | | Total | |
|---------------------------------|----------|---------------------------------|----------|----|-----------|---------------------------------------------------------|----|------------|---------------------------------|------------------|-------|------------------|
| \$ | 833 | \$ | 913 | \$ | 2,845 | \$ 14,153 | \$ | 143,439 | \$ | 179,177 - | \$ | 437,846 5,504 |
| | 833 | | 913 | | 2,845 | 14,153 | | 143,439 | | 179,177 | | 443,350 |
| | - | | - | | - | - | | - | | - | | 45,547 6,988 |
| | <u>-</u> | | 126 | | 45 | <u>-</u> | | - 6,591 | | 12,953 16,711 | | 66,499 23,302 |
| | - | | 126 | | 45 | _ | | 6,591 | | 29,664 | | 142,336 |
| | 833 | | 787 | | 2,800 | 14,153 | | 136,848 | | 149,513 | | 301,014 |
| | 27 | | 9,870 | | 11,167 | 10,954 | | 11,819 | | 8,389 | | 69,803 |
| | 860 | | 10,657 | | 13,967 | 25,107 | | 148,667 | | 157,902 | | 370,817 |
| | | | <u> </u> | | | | | | | | | (304,813) |
| | 860 | | 10,657 | | 13,967 | 25,107 | | 148,667 | | 157,902 | | 66,004 |
| | 3,855 | | 287,082 | | 345,106 | 328,838 | | 156,728 | | - | | 4,568,768 |
| | (4,715) | | (10,000) | | (51,000) | | | | | | | - |
| \$ | - | \$ | 287,739 | \$ | 308,073 | \$ 353,945 | \$ | 305,395 | \$ | 157,902 | _ | 4,634,772 |

| | State Education Tax Collect | | Forfeiture and Foreclosure | | 100% Tax Payment | | 1997 Delinquent Revolving | |
|--------------------------------------------------------------------------|-----------------------------------|--------|----------------------------------|--------------|------------------------|-----------|---------------------------------|---------|
| Cash flows from operating activities: | | | | | | | | |
| Operating income (loss) for the year | \$ | 8,554 | \$ | 20,289 | \$ | (33,806) | \$ | 1,043 |
| Adjustments: | | | | | | | | |
| Interest paid | | - | | - | | - | | - |
| Decrease (increase) in: | | | | (222) | | (40) | | 4 000 |
| Receivables | | - | | (280) | | (16) | | 1,232 |
| Due from other governmental units | | - | | - | | 23,624 | | - |
| Increase (decrease) in: Accounts payable | | _ | | _ | | 319 | | _ |
| Due to other governmental units | | 861 | | (20) | | 519 | | _ |
| Due to other governmental anne | | | | (20) | _ | | | |
| Total adjustments | | 861 | | (300) | | 23,927 | | 1,232 |
| Net cash provided (used) by operating activities | | 9,415 | | 19,989 | | (9,879) | | 2,275 |
| Cash flows form noncapital financing activities | :: | | | | | | | |
| Interfund borrowings - net | | _ | | _ | | 686,766 | | _ |
| Equity transfers from (to) other funds | | _ | | _ | | 69,216 | | (3,501) |
| Operating transfers out | | - | | - | | (304,813) | | - |
| Proceeds from bonds issued | | - | | - | | _ | | - |
| Payment of bonds | | - | | - | | - | | - |
| Interest paid | | | _ | - | _ | | | |
| Net cash provided (used) by non-capital financing | ng | | | | | | | |
| activities | | - | | - | | 451,169 | | (3,501) |
| Cash flows from investing activities: Proceeds from sales and maturities | | | | | | | | |
| of investments | | _ | | _ | | 548,350 | | _ |
| Investment income | | 466 | | 1,743 | | 15,350 | | 18 |
| Purchases of investments | | - | | _ | | (995,167) | | - |
| Purchases of taxes receivable | | - | | - | | (209,855) | | - |
| Collections of taxes receivable | | | _ | | | 203,839 | | |
| Net cash provided (used) by investing activities | | 466 | | 1,743 | | (437,483) | | 18_ |
| Net increase (decrease) in cash equivalents | | 9,881 | | 21,732 | | 3,807 | | (1,208) |
| Cash and cash equivalents, beginning of year | | 8,903 | | 184,325 | | 595,433 | | 1,208 |
| Cash and cash equivalents, end of year | \$ | 18,784 | \$ | 206,057 | \$ | 599,240 | \$ | _ |

Delinquent Tax Revolving Combining Statement of Cash Flows December 31, 2004

| 1998 Delinquent Revolving | 19 Delind Revo | quent | | 00 quent olving | 2001 elinquent evolving | 2002 elinquent evolving | | 2003 elinquent evolving | | Total |
|---------------------------------|----------------------|--------------|-----|-----------------------|-------------------------------|-------------------------------|----|-------------------------------|----|-----------------|
| \$ 833 | \$ | 787 | \$ | 2,800 | \$ 14,153 | \$ 136,848 | \$ | 149,513 | \$ | 301,014 |
| - | | - | | - | - | 6,591 | | 16,711 | | 23,302 |
| 1,376 - | | - 173 | | - 2,118 | - 8,853 | 29,688 | | - (23,678) | | 2,312 40,778 |
| - | | - - | | | - | <u>-</u> | | <u>-</u> | | 319 841 |
| 1,376 | | 173 | | 2,118 | 8,853 | 36,279 | | (6,967) | _ | 67,552 |
| 2,209 | | 960 | | 4,918 | 23,006 | 173,127 | | 142,546 | | 368,566 |
| - (4,715) | (* | - 10,000) | | 62,247) 51,000) | (611,633) | - | | 494,863 - | | 7,749 - |
| - | • | - | ` | - | - | - | | - | | (304,813) |
| - | | - | | - | - | - | | 2,900,000 | | 2,900,000 |
| - | | - | | - | - | (861,000) | (| 2,017,727) | (| (2,878,727) |
| <u> </u> | | | | - | - | (6,591) | | (16,711) | | (23,302) |
| (4,715) | (1 | (000,0 | (6 | 13,247) | (611,633) | (867,591) | | 1,360,425 | | (299,093) |
| | | | | | 516,583 | | | | | 1,064,933 |
| - 27 | | 9,870 | | - 11,167 | 10,954 | - 11,819 | | 8,389 | | 69,803 |
| - | | - | | | (312,000) | (260,546) | | (404,200) | (| (1,971,913) |
| - | | - | | - | - | | (| 2,994,863) | | (3,204,718) |
| | | 1,589 | | 7,546 | 54,311 | 743,370 | | 2,164,501 | | 3,175,156 |
| 27 | 1 | 1,459 | | 18,713 | 269,848 | 494,643 | (| 1,226,173) | _ | (866,739) |
| (2,479) | | 2,419 | (58 | 39,616) | (318,779) | (199,821) | | 276,798 | | (797,266) |
| 2,479 | | 5,772 | 5 | 96,720 | 359,801 | 266,874 | | | | 2,021,515 |
| \$ - | \$ | 8,191 | \$ | 7,104 | \$ 41,022 | \$ 67,053 | \$ | 276,798 | \$ | 1,224,249 |

Nonmajor Internal Service Funds Combining Statement of Net Assets December 31, 2004

| | Workers Compensation Fund | Fringe Benefits Fund | Total | |
|-----------------------|---------------------------------|----------------------------|------------|--|
| Assets: | | | | |
| Receivables | | | | |
| Accounts and interest | \$ 100,515 | \$ - | \$ 100,515 | |
| Due from other funds | 484,767 | 382,451 | 867,218 | |
| Prepaid expenses | 34,244 | 145,613 | 179,857 | |
| Total assets | 619,526 | 528,064 | 1,147,590 | |
| Liabilities: | | | | |
| Accounts payable | 189,250 | 385,498 | 574,748 | |
| Deferred revenue | 109,045 | - | 109,045_ | |
| Total liabilities | 298,295 | 385,498 | 683,793 | |
| Net assets: | | | | |
| Unrestricted | \$ 321,231 | \$ 142,566 | \$ 463,797 | |

Nonmajor Internal Service Funds Combining Statement of Revenues, Expenses and Changes in Net Assets December 31, 2004

| | Workers Compensation Fund | Fringe Benefits Fund | Total |
|---------------------------------------|---------------------------------|----------------------------|--------------|
| Operating revenues: Other | \$ 167,390 | \$ 2,756,133 | \$ 2,923,523 |
| Operating expenses: Personal services | 118,585 | 2,525,929 | 2,644,514 |
| Operating income | 48,805 | 230,204 | 279,009 |
| Non-operating revenues: Interest | 4,583 | | 4,583 |
| Net income | 53,388 | 230,204 | 283,592 |
| Net assets, beginning of year | 267,843 | (87,638) | 180,205 |
| Net assets, end of year | \$ 321,231 | \$ 142,566 | \$ 463,797 |

Nonmajor Internal Service Funds Combining Statement of Cash Flows For The Year Ended December 31, 2004

| | Workers Compensation Fund | Fringe Benefits Fund | Total |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------|-----------------------------|
| Cash flows form operating activities: Cash receipts from customers Cash payments to suppliers Internal activity | \$ 110,955 (115,538) | \$ 2,449,595 (2,449,595) | \$ 2,560,550 (2,565,133) |
| Net cash used by operating activities | (4,583) | - | (4,583) |
| Cash flows from investing activities: Investment income | 4,583 | - | 4,583 |
| Cash and cash equivalents, beginning of year | | | |
| Cash and cash equivalents, end of year | <u> </u> | <u>\$</u> | \$ - |
| Reconciliation of net income to net cash used by operating activities: Operating income for the year Adjustments to reconcile operating income | \$ 48,805 | \$ 230,204 | \$ 279,009 |
| to net cash used by operating activities Change in assets and liabilities: | | | |
| Receivables | (54,194) | (272,847) | (327,041) |
| Prepaid items | - | (33,691) | (33,691) |
| Accounts payable | 3,047 | 76,334 | 79,381 |
| Deferred revenue | (2,241) | - | (2,241) |
| Net cash used by operating activities | \$ (4,583) | \$ | \$ (4,583) |

Agency Funds Combining Statement of Fiduciary Net Assets December 31, 2004

| | Library Fund | Trust and Agency Fund | Total |
|---------------------------------------------------------------------------|---------------------|-----------------------------------|-----------------------------------|
| Assets | | | |
| Cash and cash equivalents Due from other funds Due from other governments | \$ 64,463 11,724 | \$ 1,189,483 626,672 375 | \$ 1,253,946 638,396 375 |
| Total assets | \$ 76,187 | \$ 1,816,530 | \$ 1,892,717 |
| Liabilities | | | |
| Accounts payable Undistributed tax collections Due to other governments | \$ - - 76,187 | \$ 55,353 1,490,705 270,472 | \$ 55,353 1,490,705 346,659 |
| Total liabilities | \$ 76,187 | \$ 1,816,530 | \$ 1,892,717 |

Agency Funds Combining Statement of Changes in Assets and Liabilities For the Year Ended December 31, 2004

| | Balance January 1, 2004 | Additions | Reductions | Balance December 31, 2004 |
|--------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------|------------------------------------------------------|----------------------------------------|
| Assets | | TOTAL AGE | NCY FUNDS | |
| Cash and cash equivalents Due from other funds Due from other governments | \$ 1,299,820 643,264 | \$ 5,102,227 29,135,511 375 | \$ 5,148,101 29,140,379 | \$ 1,253,946 638,396 375 |
| Total assets | \$ 1,943,084 | \$ 34,238,113 | \$ 34,288,480 | \$ 1,892,717 |
| Liabilities | | | | |
| Accounts payable Undistributed tax collections Due to other funds Due to other governments | \$ 53,522 1,617,520 - 272,042 | \$ 9,250,735 9,960,045 2,298,385 13,062,789 | \$ 9,252,566 9,833,230 2,298,385 13,137,406 | \$ 55,353 1,490,705 - 346,659 |
| Total liabilities | \$ 1,943,084 | \$ 34,571,954 | \$ 34,521,587 | \$ 1,892,717 |
| Assets | | LIBRAR | Y FUND | |
| Cash and cash equivalents Due from other funds | \$ 67,999 11,380 | \$ 133,414 270,468 | \$ 136,950 270,124 | \$ 64,463 11,724 |
| Total assets | \$ 79,379 | \$ 403,882 | \$ 407,074 | \$ 76,187 |
| Liabilities | | | | |
| Due to other governments | \$ 79,379 | 136,950 | 133,758 | \$ 76,187 |
| Assets | | TRUST AND A | GENCY FUND | |
| Cash and cash equivalents Due from other funds Due from other governments | \$ 1,231,821 631,884 | \$ 4,968,813 28,865,043 375 | \$ 5,011,151 28,870,255 | \$ 1,189,483 626,672 375 |
| Total assets | \$ 1,863,705 | \$ 33,834,231 | \$ 33,881,406 | \$ 1,816,530 |
| Liabilities | | | | |
| Accounts payable Undistributed tax collections Due to other funds Due to other governments | \$ 53,522 1,617,520 - 192,663 | \$ 9,250,735 9,960,045 2,298,385 12,925,839 | \$ 9,252,566 9,833,230 2,298,385 13,003,648 | \$ 55,353 1,490,705 - 270,472 |
| Total liabilities | \$ 1,863,705 | \$ 34,435,004 | \$ 34,387,829 | \$ 1,816,530 |

| Huron | County | Michigan |
|--------|---------|-----------|
| HUIVII | County, | Wilchigan |

| | Department of Public Works |
|------------------------------------|----------------------------|
| | Balance Sheet |
| | December 31, 2004 |
| | |
| Assets | |
| Cash and cash equivalents | \$ 178,302 |
| Due from other governmental units | 5,442,302 |
| Total assets | \$ 5,620,604 |
| Liabilities and Fund Balance | |
| Liabilities: | |
| Due within one year | \$ 420,000 |
| Due in more than one year | 5,022,302_ |
| Total liabilities | 5,442,302 |
| Fund balance: | |
| Reserved | |
| Capital projects | 178,135 |
| Debt service | 167_ |
| Total fund balance | 178,302 |
| Total liabilities and fund balance | \$ 5,620,604 |

Reconciliation of Fund Balance on the Balance Sheet for the Department of Public Works Fund to Net Assets of Governmental Activities on the Statement of Net Assets December 31, 2004

| Fund balance, DPW fund | \$ 178,302 |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Due from other governmental units is not reported as revenues in the other funds until collected | (5,472,308) |
| Current liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. | |
| Accrued interest on bonds payable | 30,006 |
| Long-term debt is not due and payable in the current period and therefore is not reported in the funds | 5,442,302 |
| Net assets, DPW fund | \$ 178,302 |

Department of Public Works Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended December 31, 2004

| Revenues: | |
|---------------------------------------|------------|
| Loan proceeds | \$ 707,302 |
| Contributions from local units | 642,355 |
| Interest | 1,973 |
| Total revenues | 1,351,630 |
| Expenditures: | |
| Capital outlay | 707,300 |
| Debt service | |
| Principal | 370,000 |
| Interest and fees | 272,355 |
| Total expenditures | 1,349,655 |
| Excess of revenues under expenditures | 1,975 |
| Fund balance, beginning of year | 176,327 |
| Fund balance, end of year | \$ 178,302 |

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Department of Public Works to the Statement of Activities December 31, 2004

| Net change in fund balance, DPW fund | \$ 1,975 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Revenue in the statement of activities that does not provide current financial resources are not reported as revenues in the funds. | |
| Proceeds from loan | (707,302) |
| Collections of due from other governmental units | 338,921 |
| The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets. | |
| Principal payments on long term liabilities | 370,000 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds. | |
| Increase in accrued interest payable | (1,619) |
| Change in net assets. DPW fund | \$ 1.975 |

Economic Development Corporation Balance Sheet December 31, 2004

Assets

| Cash and cash equivalents | \$ 77,004 |
|-----------------------------------------------|--------------|
| Receivables Accounts and interest | 12,705 |
| Total assets | \$ 89,709 |
| Liabilities and Fund Balance | |
| Liabilities: Payables and current liabilities | \$ 3,854 |
| Fund balance: Unreserved | 85,855 |
| Total liabilities and fund balance | \$ 89,709 |

Economic Development Corporation Statement of Revenues, Expenditures and Changes in Fund Balance For The Year Ended December 31, 2004

| Revenues: | • | |
|-----------------------------------------|----|----------|
| Federal grants | \$ | 63,434 |
| Charges for services | | 121,152 |
| Interest | | 1,237 |
| Total revenues | | 185,823 |
| Expenditures: | | |
| Economic development | | 260,697 |
| Loononillo do volopilloni | | 200,007 |
| Excess of revenues under expenditures | | (74,874) |
| Exocos of forefides dilaci experialares | | (14,014) |
| Other Financing Sources: | | |
| Operating transfers in | | 70,000 |
| | | 70,000 |
| Excess of revenues and other sources | | |
| under expenditures | | (4,874) |
| under experialities | | (4,074) |
| Fund balance, beginning of year | | 00.720 |
| i did balance, beginning of year | | 90,729 |
| Fund balance, end of year | Φ | 85,855 |
| i und balance, ond or year | Ψ | 00,000 |

Schedule of Bond Indebtedness Limited Tax Notes - 2003 Series I December 31, 2004

| Payment <u>Date</u> | Estimated * Principal | Estimated** Interest | Total |
|------------------------|-----------------------|----------------------|------------|
| 2005 | \$ 120,000 | \$ 721_ | \$ 120,721 |

^{*} It is the County's policy to repay the notes in amounts approximating the collections of delinquent taxes. The principal payment stated above has been calculated based on the estimated collection of delinquent taxes plus other factors.

^{**} Interest is payable monthly at the most recent LIBOR rate as published in the Wall Street Journal, plus .50%

Schedule of Bond Indebtedness Limited Tax Notes - 2004 Series I December 31, 2004

| Payment Date | Estimated * Principal | Estimated** Interest | Total |
|-----------------|-----------------------|----------------------|---------------|
| 2005 | \$ 882,273 | \$ 7,486 | \$ 889,759 |

^{*} It is the County's policy to repay the notes in amounts approximating the collections of delinquent taxes. The principal payment stated above has been calculated based on the estimated collection of delinquent taxes plus other factors.

^{**} Interest is payable monthly at the most recent LIBOR rate as published in the Wall Street Journal, plus .45%

Schedule of Bond Indebtedness Municipal Purchase Notes - Dates July 11, 2002 Summary Schedule* December 31, 2004

| Maturity Date | Principal | Rate | Interest | Total |
|------------------|--------------|--------|------------|--------------|
| 3/1/2005 | | 2.750% | \$ 34,701 | \$ 34,701 |
| 9/1/2005 | \$ 330,000 | 2.750% | 34,702 | 364,702 |
| 3/1/2006 | | 3.000% | 30,164 | 30,164 |
| 9/1/2006 | 345,000 | 3.000% | 30,164 | 375,164 |
| 3/1/2007 | | 3.250% | 24,989 | 24,989 |
| 9/1/2007 | 350,000 | 3.250% | 24,989 | 374,989 |
| 3/1/2008 | | 3.625% | 19,301 | 19,301 |
| 9/1/2008 | 350,000 | 3.625% | 19,301 | 369,301 |
| 3/1/2009 | | 3.600% | 12,957 | 12,957 |
| 9/1/2009 | 365,000 | 3.600% | 12,957 | 377,957 |
| 3/1/2010 | | 3.750% | 6,388 | 6,388 |
| 9/1/2010 | 165,000 | 3.750% | 6,388 | 171,388 |
| 3/1/2011 | | 3.875% | 3,294 | 3,294 |
| 9/1/2011 | 170,000 | 3.875% | 3,294 | 173,294 |
| | \$ 2,075,000 | | \$ 263,589 | \$ 2,338,589 |

^{*}Included in this summary are the Jail and Medical Care Facility payment schedules. The detailed schedules follow.

Schedule of Bond Indebtedness Municipal Purchase Note - Jail Project December 31, 2004

| MaturityDate | | | Total | |
|--------------|--------------|--------|------------|--------------|
| 3/1/2005 | | 2.750% | \$ 18,524 | \$ 18,524 |
| 9/1/2005 | \$ 140,000 | 2.750% | 18,524 | 158,524 |
| 3/1/2006 | | 3.000% | 16,599 | 16,599 |
| 9/1/2006 | 145,000 | 3.000% | 16,599 | 161,599 |
| 3/1/2007 | | 3.250% | 14,424 | 14,424 |
| 9/1/2007 | 150,000 | 3.250% | 14,424 | 164,424 |
| 3/1/2008 | | 3.625% | 11,986 | 11,986 |
| 9/1/2008 | 150,000 | 3.625% | 11,986 | 161,986 |
| 3/1/2009 | | 3.600% | 9,267 | 9,267 |
| 9/1/2009 | 160,000 | 3.600% | 9,267 | 169,267 |
| 3/1/2010 | | 3.750% | 6,388 | 6,388 |
| 9/1/2010 | 165,000 | 3.750% | 6,388 | 171,388 |
| 3/1/2011 | | 3.875% | 3,294 | 3,294 |
| 9/1/2011 | 170,000 | 3.875% | 3,294 | 173,294 |
| | \$ 1,080,000 | | \$ 160,964 | \$ 1,240,964 |

Schedule of Bond Indebtedness Municipal Purchase Note - Medical Care Facility December 31, 2004

| Maturity | r | Orinainal | Rate | nterest | | Total |
|----------|---------|-----------|--------|---------------|------|-----------|
| Date | <u></u> | Principal | Rate | nieresi | | Total |
| 3/1/2005 | | | 2.750% | \$ 16,177 | \$ | 16,177 |
| 9/1/2005 | \$ | 190,000 | 2.750% | 16,178 | | 206,178 |
| 3/1/2006 | | | 3.000% | 13,565 | | 13,565 |
| 9/1/2006 | | 200,000 | 3.000% | 13,565 | | 213,565 |
| 3/1/2007 | | • | 3.250% | 10,565 | | 10,565 |
| 9/1/2007 | | 200,000 | 3.250% | 10,565 | | 210,565 |
| 3/1/2008 | | • | 3.625% | 7,315 | | 7,315 |
| 9/1/2008 | | 200,000 | 3.625% | 7,315 | | 207,315 |
| 3/1/2009 | | • | 3.600% | 3,690 | | 3,690 |
| 9/1/2009 | | 205,000 | 3.600% | 3,690 | | 208,690 |
| | \$ | 995,000 | | \$ 102,625 | _\$_ | 1,097,625 |

Schedule of Bond Indebtedness Building Authority - Dated September 1, 1996 December 31, 2004

| MaturityDate | Principal | Rate | Interest | Total |
|----------------------|------------|----------------|-------------------|---------------------|
| 3/1/2005 9/1/2005 | \$ 130,000 | 4.60% 4.60% | \$ 2,990 2,990 | \$ 2,990 132,990 |
| | \$ 130,000 | | \$ 5,980 | \$ 135,980 |

Schedule of Bond Indebtedness Colfax Township Sewer System - Series 1988 December 31, 2004

| MaturityDate | P | rincipal | Rate | <u>Ir</u> | nterest | | Total |
|--------------|----|----------|--------|-----------|---------|----|--------|
| 014 10005 | | | 5.400/ | • | 4.000 | • | 4 000 |
| 3/1/2005 | | | 5.10% | \$ | 1,380 | \$ | 1,380 |
| 9/1/2005 | \$ | 10,000 | 5.10% | | 1,380 | | 11,380 |
| 3/1/2006 | | | 5.00% | | 1,125 | | 1,125 |
| 9/1/2006 | | 15,000 | 5.00% | | 1,125 | | 16,125 |
| 3/1/2007 | | | 5.00% | | 750 | | 750 |
| 9/1/2007 | | 15,000 | 5.00% | | 750 | | 15,750 |
| 3/1/2008 | | | 5.00% | | 375 | | 375 |
| 9/1/2008 | | 15,000 | 5.00% | | 375 | | 15,375 |
| | | | | | | | |
| | \$ | 55,000 | | \$ | 7,260 | | 62,260 |

Schedule of Bond Indebtedness Sebewaing M-25 Water and Sewer System - Dated June 1, 1989 December 31, 2004

| Maturity Date | Principal | Rate | Interest | Total |
|------------------|------------|-------|-------------|------------|
| Date | гппограг | Nate | interest | l Olai |
| 3/1/2005 | | 7.00% | \$ 10,276 | \$ 10,276 |
| 9/1/2005 | \$ 25,000 | 7.00% | 10,276 | 35,276 |
| 3/1/2006 | | 7.05% | 9,401 | 9,401 |
| 9/1/2006 | 30,000 | 7.05% | 9,401 | 39,401 |
| 3/1/2007 | | 7.05% | 8,344 | 8,344 |
| 9/1/2007 | 35,000 | 7.05% | 8,344 | 43,344 |
| 3/1/2008 | | 7.05% | 7,110 | 7,110 |
| 9/1/2008 | 40,000 | 7.05% | 7,110 | 47,110 |
| 3/1/2009 | | 7.10% | 5,700 | 5,700 |
| 9/1/2009 | 40,000 | 7.10% | 5,700 | 45,700 |
| 3/1/2010 | | 7.10% | 4,280 | 4,280 |
| 9/1/2010 | 40,000 | 7.10% | 4,280 | 44,280 |
| 3/1/2011 | | 7.15% | 2,860 | 2,860 |
| 9/1/2011 | 40,000 | 7.15% | 2,860 | 42,860 |
| 3/1/2012 | | 7.15% | 1,430 | 1,430 |
| 9/1/2012 | 40,000 | 7.15% | 1,430 | 41,430 |
| | \$ 290,000 | | \$ 98,802 | \$ 388,802 |
| | 200,000 | | | Ψ 000,002 |

Schedule of Bond Indebtedness Sand Beach Township Water System Improvement Project Bonds - Series 1999 Dated November 1, 1999 December 31, 2004

| Maturity | | | | |
|-----------|--------------|-------|---------------------------------------|--------------|
| Date | Principal | Rate | Interest | Total |
| 6/1/2005 | | 4.75% | \$ 56,769 | \$ 56,769 |
| 12/1/2005 | \$ 125,000 | 4.75% | 56,769 | 181,769 |
| 6/1/2006 | · ==,=== | 4.80% | 53,800 | 53,800 |
| 12/1/2006 | 125,000 | 4.80% | 53,800 | 178,800 |
| 6/1/2007 | 120,000 | 4.85% | 50,800 | 50,800 |
| 12/1/2007 | 125,000 | 4.85% | 50,800 | 175,800 |
| 6/1/2008 | 120,000 | 4.95% | 47,769 | 47,769 |
| 12/1/2008 | 125,000 | 4.95% | 47,769 | 172,769 |
| 6/1/2009 | 120,000 | 5.05% | 44,675 | 44,675 |
| 12/1/2009 | 150,000 | 5.05% | 44,675 | 194,675 |
| 6/1/2010 | 130,000 | 5.10% | 40,888 | |
| 12/1/2010 | 150,000 | 5.10% | · · · · · · · · · · · · · · · · · · · | 40,888 |
| | 150,000 | | 40,888 | 190,888 |
| 6/1/2011 | 450,000 | 5.20% | 37,063 | 37,063 |
| 12/1/2011 | 150,000 | 5.20% | 37,063 | 187,063 |
| 6/1/2012 | 450.000 | 5.25% | 33,163 | 33,163 |
| 12/1/2012 | 150,000 | 5.25% | 33,163 | 183,163 |
| 6/1/2013 | | 5.30% | 29,225 | 29,225 |
| 12/1/2013 | 150,000 | 5.30% | 29,225 | 179,225 |
| 6/1/2014 | | 5.35% | 25,250 | 25,250 |
| 12/1/2014 | 150,000 | 5.35% | 25,250 | 175,250 |
| 6/1/2015 | | 5.40% | 21,237 | 21,237 |
| 12/1/2015 | 150,000 | 5.40% | 21,237 | 171,237 |
| 6/1/2016 | | 5.50% | 17,187 | 17,187 |
| 12/1/2016 | 150,000 | 5.50% | 17,187 | 167,187 |
| 6/1/2017 | | 5.50% | 13,062 | 13,062 |
| 12/1/2017 | 150,000 | 5.50% | 13,062 | 163,062 |
| 6/1/2018 | | 5.50% | 8,937 | 8,937 |
| 12/1/2018 | 150,000 | 5.50% | 8,937 | 158,937 |
| 6/1/2019 | | 5.50% | 4,812 | 4,812 |
| 12/1/2019 | 175,000 | 5.50% | 4,812 | 179,812 |
| | \$ 2,175,000 | | \$ 969,274 | \$ 3,144,274 |

Schedule of Bond Indebtedness Bad Axe Water Supply and Sewage Disposal System - Series A Dated December 1, 1996 December 31, 2004

| Maturity | | | | |
|-----------|--------------|--------|------------|--------------|
| Date | Principal | Rate | Interest | Total |
| | | | | |
| 6/1/2005 | | 7.125% | \$ 43,044 | \$ 43,044 |
| 12/1/2005 | \$ 50,000 | 7.125% | 43,044 | 93,044 |
| 6/1/2006 | | 7.125% | 41,262 | 41,262 |
| 12/1/2006 | 50,000 | 7.125% | 41,263 | 91,263 |
| 6/1/2007 | | 7.125% | 39,481 | 39,481 |
| 12/1/2007 | 50,000 | 7.125% | 39,481 | 89,481 |
| 6/1/2008 | | 4.850% | 37,700 | 37,700 |
| 12/1/2008 | 175,000 | 4.850% | 37,700 | 212,700 |
| 6/1/2009 | | 4.950% | 33,456 | 33,456 |
| 12/1/2009 | 175,000 | 4.950% | 33,456 | 208,456 |
| 6/1/2010 | | 5.000% | 29,125 | 29,125 |
| 12/1/2010 | 200,000 | 5.000% | 29,125 | 229,125 |
| 6/1/2011 | • | 5.000% | 24,125 | 24,125 |
| 12/1/2011 | 200,000 | 5.000% | 24,125 | 224,125 |
| 6/1/2012 | · | 5.000% | 19,125 | 19,125 |
| 12/1/2012 | 200,000 | 5.000% | 19,125 | 219,125 |
| 6/1/2013 | · | 5.000% | 14,125 | 14,125 |
| 12/1/2013 | 200,000 | 5.000% | 14,125 | 214,125 |
| 6/1/2014 | · | 5.000% | 9,125 | 9,125 |
| 12/1/2014 | 200,000 | 5.000% | 9,125 | 209,125 |
| 6/1/2015 | · | 4.125% | 4,125 | 4,125 |
| 12/1/2015 | 200,000 | 4.125% | 4,125 | 204,125 |
| | \$ 1,700,000 | | \$ 589,387 | \$ 2,289,387 |

Schedule of Bond Indebtedness Bad Axe Water Supply and Sewage Disposal System - Series B Dated December 1, 1996 December 31, 2004

| Maturity Date | Principal | | Rate | | Interest | | Total | |
|---------------|-----------|---------|--------|-----|----------|----|---------|--|
| 6/1/2005 | | | 4.500% | \$ | 12,734 | \$ | 12,734 | |
| 12/1/2005 | \$ | 175,000 | 4.500% | | 12,734 | | 187,734 | |
| 6/1/2006 | | | 4.625% | | 8,797 | | 8,797 | |
| 12/1/2006 | | 175,000 | 4.625% | | 8,797 | | 183,797 | |
| 6/1/2007 | | | 4.750% | | 4,750 | | 4,750 | |
| 12/1/2007 | | 200,000 | 4.750% | | 4,750 | | 204,750 | |
| | \$ | 550,000 | | _\$ | 52,562 | \$ | 602,562 | |

Schedule of Bond Indebtedness Village of Elkton Water System Improvements Bond - Series 2003 December 31, 2004

| Maturity | B | ъ. | | |
|-----------|------------|--------|------------|------------|
| Date | Principal | Rate | Interest | Total |
| 4/1/2005 | | 2.125% | \$ 7,237 | \$ 7,237 |
| 10/1/2005 | \$ 35,000 | 2.125% | 7,163 | 42,163 |
| 4/1/2006 | Ψ 35,000 | 2.125% | 6,791 | 6,791 |
| 10/1/2006 | 35,000 | 2.125% | 6,791 | 41,791 |
| 4/1/2007 | 30,000 | 2.125% | 6,419 | 6,419 |
| 10/1/2007 | 35,000 | 2.125% | 6,419 | 41,419 |
| 4/1/2008 | 33,000 | 2.125% | 6,047 | 6,047 |
| 10/1/2008 | 35,000 | 2.125% | 6,047 | 41,047 |
| 4/1/2009 | 30,000 | 2.125% | 5,675 | 5,675 |
| 10/1/2009 | 40,000 | 2.125% | 5,675 | 45,675 |
| 4/1/2010 | 40,000 | 2.125% | 5,250 | 5,250 |
| 10/1/2010 | 40,000 | 2.125% | 5,250 | 45,250 |
| 4/1/2011 | 40,000 | 2.125% | 4,825 | 4,825 |
| 10/1/2011 | 40,000 | 2.125% | 4,825 | 44,825 |
| 4/1/2012 | 40,000 | 2.125% | 4,400 | 4,400 |
| 10/1/2012 | 40,000 | 2.125% | 4,400 | 44,400 |
| 4/1/2013 | 40,000 | 2.125% | 3,975 | 3,975 |
| 10/1/2013 | 40,000 | 2.125% | 3,975 | 43,975 |
| 4/1/2014 | 40,000 | 2.125% | 3,550 | 3,550 |
| 10/1/2014 | 40,000 | 2.125% | | - |
| 4/1/2015 | 40,000 | | 3,550 | 43,550 |
| 10/1/2015 | 45,000 | 2.125% | 3,125 | 3,125 |
| 4/1/2016 | 45,000 | 2.125% | 3,125 | 48,125 |
| | 45 000 | 2.125% | 2,647 | 2,647 |
| 10/1/2016 | 45,000 | 2.125% | 2,647 | 47,647 |
| 4/1/2017 | 45.000 | 2.125% | 2,169 | 2,169 |
| 10/1/2017 | 45,000 | 2.125% | 2,169 | 47,169 |
| 4/1/2018 | 45.000 | 2.125% | 1,691 | 1,691 |
| 10/1/2018 | 45,000 | 2.125% | 1,691 | 46,691 |
| 4/1/2019 | 45.000 | 2.125% | 1,213 | 1,213 |
| 10/1/2019 | 45,000 | 2.125% | 1,213 | 46,213 |
| 4/1/2020 | 4= 000 | 2.125% | 735 | 735 |
| 10/1/2020 | 45,000 | 2.125% | 735 | 45,735 |
| 4/1/2021 | | 2.125% | 257 | 257 |
| 10/1/2021 | 22,302 | 2.125% | 257_ | 22,559 |
| | \$ 672,302 | | \$ 131,938 | \$ 804,240 |

Schedule of Bond Indebtedness Drain Notes Payable December 31, 2004

| Maturity <u>Date</u> | <u>Principal</u> | Interest* | Total |
|----------------------|------------------|------------|--------------|
| 2005 | \$ 278,535 | \$ 65,362 | \$ 343,897 |
| 2006 | 203,635 | 52,051 | 255,686 |
| 2007 | 186,817 | 41,683 | 228,500 |
| 2008 | 186,817 | 31,974 | 218,791 |
| 2009 | 158,817 | 22,174 | 180,991 |
| 2010 - 2014 | 232,982 | 32,617 | 265,599 |
| 2015 - 2019 | 30,000 | 3,733 | 33,733 |
| | \$ 1,277,603 | \$ 249,594 | \$ 1,527,197 |

^{*} Interest rates on notes issued for various drain projects range from 2.50% to 6.20%.

Schedule of Bond Indebtedness Drain Bonds - Bad Axe Drain - Phase I December 31, 2004

| Maturity Date | Principal | | Rate | Interest | | Total | |
|------------------|-----------|---------|-------|----------|--------|-------|---------|
| 6/1/2005 | \$ | 75,000 | 6.30% | \$ | 7,144 | \$ | 82,144 |
| 12/1/2005 | | · | 6.35% | | 4,781 | | 4,781 |
| 6/1/2006 | | 75,000 | 6.35% | | 4,781 | | 79,781 |
| 12/1/2006 | | • | 6.40% | | 2,400 | | 2,400 |
| 6/1/2007 | | 75,000 | 6.40% | | 2,400 | | 77,400 |
| | \$ | 225,000 | | \$ | 21,506 | \$ | 246,506 |

Schedule of Bond Indebtedness Drain Bonds - Bad Axe Drain - Phase II December 31, 2004

| Maturity | | | | | | | |
|-----------|----|----------|-------|-----|-------------|-----|---------|
| Date | P | rincipal | Rate | In | terest | | Total |
| 0/4/0005 | | | | _ | | | |
| 6/1/2005 | \$ | 50,000 | 5.30% | \$ | 17,100 | \$ | 67,100 |
| 12/1/2005 | | | 5.40% | | 15,750 | | 15,750 |
| 6/1/2006 | | 50,000 | 5.40% | | 15,750 | | 65,750 |
| 12/1/2006 | | | 5.50% | | 14,375 | | 14,375 |
| 6/1/2007 | | 50,000 | 5.50% | | 14,375 | | 64,375 |
| 12/1/2007 | | | 5.60% | | 12,975 | | 12,975 |
| 6/1/2008 | | 50,000 | 5.60% | | 12,975 | | 62,975 |
| 12/1/2008 | | | 5.70% | | 11,550 | | 11,550 |
| 6/1/2009 | | 50,000 | 5.70% | | 11,550 | | 61,550 |
| 12/1/2009 | | · | 5.80% | | 10,100 | | 10,100 |
| 6/1/2010 | | 50,000 | 5.80% | | 10,100 | | 60,100 |
| 12/1/2010 | | , | 5.90% | | 8,625 | | 8,625 |
| 6/1/2011 | | 75,000 | 5.90% | | 8,625 | | 83,625 |
| 12/1/2011 | | · | 5.75% | | 6,469 | | 6,469 |
| 6/1/2012 | | 75,000 | 5.75% | | 6,469 | | 81,469 |
| 12/1/2012 | | , | 5.75% | | 4,313 | | 4,313 |
| 6/1/2013 | | 75,000 | 5.75% | | 4,313 | | 79,313 |
| 12/1/2013 | | , | 5.75% | | 2,156 | | 2,156 |
| 6/1/2014 | | 75,000 | 5.75% | | 2,156 | | 77,156 |
| | | | | | | | , |
| | \$ | 600,000 | | _\$ | 189,726 | _\$ | 789,726 |

Schedule of Bond Indebtedness Drain Bonds - Cramp Drain December 31, 2004

| MaturityDate | P | rincipal | Rate | Ir | Interest | | Total | |
|--------------|----|----------|-------|----|----------|----|---------|--|
| 6/1/2005 | \$ | 30,000 | 5.50% | \$ | 4,275 | \$ | 34,275 | |
| 12/1/2005 | | | 5.60% | | 3,450 | | 3,450 | |
| 6/1/2006 | | 30,000 | 5.60% | | 3,450 | | 33,450 | |
| 12/1/2006 | | | 5.70% | | 2,610 | | 2,610 | |
| 6/1/2007 | | 30,000 | 5.70% | | 2,610 | | 32,610 | |
| 12/1/2007 | | · | 5.80% | | 1,755 | | 1,755 | |
| 6/1/2008 | | 30,000 | 5.80% | | 1,755 | | 31,755 | |
| 12/1/2008 | | • | 5.90% | | 885 | | 885 | |
| 6/1/2009 | | 30,000 | 5.90% | | 885 | | 30,885 | |
| | \$ | 150,000 | | \$ | 21,675 | \$ | 171,675 | |

Schedule of Bond Indebtedness Drain Bonds - Todd Drain December 31, 2004

| Maturity | | | | | | | |
|-----------|----|----------|-------|----|---------|---------------|--|
| Date | P | rincipal | Rate | Ir | nterest | Total | |
| 6/1/2005 | \$ | 35,000 | 6.40% | \$ | 6,982 | \$ 41,982 | |
| 12/1/2005 | | | 6.50% | | 5,863 | 5,863 | |
| 6/1/2006 | | 35,000 | 6.50% | | 5,862 | 40,862 | |
| 12/1/2006 | | | 6.60% | | 4,725 | 4,725 | |
| 6/1/2007 | | 35,000 | 6.60% | | 4,725 | 39,725 | |
| 12/1/2007 | | | 6.70% | | 3,570 | 3,570 | |
| 6/1/2008 | | 35,000 | 6.70% | | 3,570 | 38,570 | |
| 12/1/2008 | | | 6.80% | | 2,398 | 2,398 | |
| 6/1/2009 | | 35,000 | 6.80% | | 2,397 | 37,397 | |
| 12/1/2009 | | | 6.90% | | 1,208 | 1,208 | |
| 6/1/2010 | | 35,000 | 6.90% | | 1,207 | 36,207 | |
| | \$ | 210,000 | | \$ | 42,507 | \$ 252,507 | |

Huron County, Michigan

Schedule of Bond Indebtedness Drain Bonds - Fisher Drain December 31, 2004

| MaturityDate | Principal | | Rate | lı | Interest | | Total | |
|--------------|-----------|--------|-------|----|----------|--|-------|--------|
| 6/1/2005 | _\$ | 50,000 | 5.35% | \$ | 1,337 | | \$ | 51,337 |

Schedule of Bond Indebtedness Drain Bonds - Pitcher Drain December 31, 2004

| Maturity Date | P | Principal | Rate | Interest | | Total | | |
|------------------|----|-----------|-------|----------|-------------|-------|---------|--|
| | | | | | | | | |
| 6/1/2005 | \$ | 40,000 | 5.00% | \$ | 6,625 | \$ | 46,625 | |
| 12/1/2005 | | | 5.00% | | 5,625 | | 5,625 | |
| 6/1/2006 | | 35,000 | 5.00% | | 5,625 | | 40,625 | |
| 12/1/2006 | | | 5.00% | | 4,750 | | 4,750 | |
| 6/1/2007 | | 40,000 | 5.00% | | 4,750 | | 44,750 | |
| 12/1/2007 | | | 5.00% | | 3,750 | | 3,750 | |
| 6/1/2008 | | 35,000 | 5.00% | | 3,750 | | 38,750 | |
| 12/1/2008 | | | 5.00% | | 2,875 | | 2,875 | |
| 6/1/2009 | | 40,000 | 5.00% | | 2,875 | | 42,875 | |
| 12/1/2009 | | | 5.00% | | 1,875 | | 1,875 | |
| 6/1/2010 | | 35,000 | 5.00% | | 1,875 | | 36,875 | |
| 12/1/2010 | | | 5.00% | | 1,000 | | 1,000 | |
| 6/1/2011 | | 40,000 | 5.00% | | 1,000 | | 41,000 | |
| | \$ | 265,000 | | \$ | 46,375 | \$ | 311,375 | |

Schedule of Bond Indebtedness Drain Bonds - Thompson Drain December 31, 2004

| MaturityDate | Principal | | Rate | Interest | | Total | |
|--------------|-----------|---------|-------|----------|-------|-------|---------|
| 6/1/2005 | \$ | 35,000 | 4.70% | \$ | 2,642 | \$ | 37,642 |
| 12/1/2005 | | , | 4.80% | | 1,820 | | 1,820 |
| 6/1/2006 | | 35,000 | 4.80% | | 1,820 | | 36,820 |
| 12/1/2006 | | | 4.90% | | 980 | | 980 |
| 6/1/2007 | | 40,000 | 4.90% | | 980 | | 40,980 |
| | \$ | 110,000 | | \$ | 8,242 | \$ | 118,242 |

Schedule of Bond Indebtedness Drain Bonds - Allen Drain December 31, 2004

| Maturity Date | | | nterest | Total | | | |
|---------------|--------|-------|---------|-------|---------|----|-----------|
| 6/1/2005 | \$ 125 | 5,000 | 4.50% | \$ | 20,812 | \$ | 145,812 |
| 12/1/2005 | • | , | 4.50% | • | 18,000 | • | 18,000 |
| 6/1/2006 | 125 | 5,000 | 4.50% | | 18,000 | | 143,000 |
| 12/1/2006 | | | 4.50% | | 15,188 | | 15,188 |
| 6/1/2007 | 125 | 5,000 | 4.50% | | 15,187 | | 140,187 |
| 12/1/2007 | | | 4.50% | | 12,375 | | 12,375 |
| 6/1/2008 | 125 | 5,000 | 4.50% | | 12,375 | | 137,375 |
| 12/1/2008 | | | 4.50% | | 9,563 | | 9,563 |
| 6/1/2009 | 125 | 5,000 | 4.50% | | 9,562 | | 134,562 |
| 12/1/2009 | | | 4.50% | | 6,750 | | 6,750 |
| 6/1/2010 | 100 | 0,000 | 4.50% | | 6,750 | | 106,750 |
| 12/1/2010 | | | 4.50% | | 4,500 | | 4,500 |
| 6/1/2011 | 100 | 0,000 | 4.50% | | 4,500 | | 104,500 |
| 12/1/2011 | | | 4.50% | | 2,250 | | 2,250 |
| 6/1/2012 | 100 | 0,000 | 4.50% | | 2,250 | | 102,250 |
| | \$ 925 | 5,000 | | \$ | 158,062 | \$ | 1,083,062 |

Schedule of Bond Indebtedness Drain Bonds - Crumback Drain December 31, 2004

| MaturityDate | Principal Rate Interest | | Total | | | |
|--------------|-------------------------|---------|-------|--------------|----|---------|
| 6/1/2005 | \$ | 25,000 | 4.55% | \$ 5,030 | \$ | 30,030 |
| 12/1/2005 | | | 4.65% | 4,461 | | 4,461 |
| 6/1/2006 | | 20,000 | 4.65% | 4,461 | | 24,461 |
| 12/1/2006 | | | 4.75% | 3,996 | | 3,996 |
| 6/1/2007 | | 25,000 | 4.75% | 3,996 | | 28,996 |
| 12/1/2007 | | | 4.70% | 3,403 | | 3,403 |
| 6/1/2008 | | 25,000 | 4.70% | 3,403 | | 28,403 |
| 12/1/2008 | | • | 4.75% | 2,815 | | 2,815 |
| 6/1/2009 | | 20,000 | 4.75% | 2,815 | | 22,815 |
| 12/1/2009 | | • | 4.80% | 2,340 | | 2,340 |
| 6/1/2010 | | 25,000 | 4.80% | 2,340 | | 27,340 |
| 12/1/2010 | | | 4.90% | 1,740 | | 1,740 |
| 6/1/2011 | | 20,000 | 4.90% | 1,740 | | 21,740 |
| 12/1/2011 | | | 5.00% | 1,250 | | 1,250 |
| 6/1/2012 | | 25,000 | 5.00% | 1,250 | | 26,250 |
| 12/1/2012 | | | 5.00% | 625 | | 625 |
| 6/1/2013 | | 25,000 | 5.00% | 625 | | 25,625 |
| | \$ | 210,000 | | \$ 46,290 | \$ | 256,290 |

Schedule of Bond Indebtedness Drain Bonds - Schram Drain December 31, 2004

| Maturity | | | | | |
|-----------|------------|-------|------------|------------|--|
| Date | Principal | Rate | Interest | Total | |
| 6/1/2005 | \$ 70,000 | 4.55% | \$ 15,032 | \$ 85,032 | |
| 12/1/2005 | , ,,,,,,, | 4.60% | 13,440 | 13,440 | |
| 6/1/2006 | 70,000 | 4.60% | 13,440 | 83,440 | |
| 12/1/2006 | | 4.65% | 11,830 | 11,830 | |
| 6/1/2007 | 70,000 | 4.65% | 11,830 | 81,830 | |
| 12/1/2007 | | 4.70% | 10,203 | 10,203 | |
| 6/1/2008 | 70,000 | 4.70% | 10,202 | 80,202 | |
| 12/1/2008 | | 4.75% | 8,558 | 8,558 | |
| 6/1/2009 | 70,000 | 4.75% | 8,557 | 78,557 | |
| 12/1/2009 | | 4.80% | 6,895 | 6,895 | |
| 6/1/2010 | 70,000 | 4.80% | 6,895 | 76,895 | |
| 12/1/2010 | | 4.90% | 5,215 | 5,215 | |
| 6/1/2011 | 70,000 | 4.90% | 5,215 | 75,215 | |
| 12/1/2011 | | 5.00% | 3,500 | 3,500 | |
| 6/1/2012 | 70,000 | 5.00% | 3,500 | 73,500 | |
| 12/1/2012 | | 5.00% | 1,750 | 1,750 | |
| 6/1/2013 | 70,000 | 5.00% | 1,750_ | 71,750 | |
| | \$ 630,000 | | \$ 137,812 | \$ 767,812 | |

Schedule of Bond Indebtedness Drain Bonds - Bay Port Drain December 31, 2004

| Maturity Date | Principal | Rate | Interest | Total |
|------------------|------------|-------|-----------|------------|
| | | | • | |
| 6/1/2005 | \$ 35,000 | 4.75% | \$ 11,875 | \$ 46,875 |
| 12/1/2005 | | 4.75% | 11,044 | 11,044 |
| 6/1/2006 | 35,000 | 4.75% | 11,044 | 46,044 |
| 12/1/2006 | | 4.75% | 10,213 | 10,213 |
| 6/1/2007 | 35,000 | 4.75% | 10,212 | 45,212 |
| 12/1/2007 | | 4.75% | 9,381 | 9,381 |
| 6/1/2008 | 35,000 | 4.75% | 9,381 | 44,381 |
| 12/1/2008 | | 4.50% | 8,550 | 8,550 |
| 6/1/2009 | 35,000 | 4.50% | 8,550 | 43,550 |
| 12/1/2009 | | 4.50% | 7,763 | 7,763 |
| 6/1/2010 | 35,000 | 4.50% | 7,762 | 42,762 |
| 12/1/2010 | | 4.50% | 6,975 | 6,975 |
| 6/1/2011 | 35,000 | 4.50% | 6,975 | 41,975 |
| 12/1/2011 | | 4.50% | 6,188 | 6,188 |
| 6/1/2012 | 35,000 | 4.50% | 6,187 | 41,187 |
| 12/1/2012 | | 4.50% | 5,400 | 5,400 |
| 6/1/2013 | 40,000 | 4.50% | 5,400 | 45,400 |
| 12/1/2013 | | 4.50% | 4,500 | 4,500 |
| 6/1/2014 | 40,000 | 4.50% | 4,500 | 44,500 |
| 12/1/2014 | | 4.50% | 3,600 | 3,600 |
| 6/1/2015 | 40,000 | 4.50% | 3,600 | 43,600 |
| 12/1/2015 | | 4.50% | 2,700 | 2,700 |
| 6/1/2016 | 40,000 | 4.50% | 2,700 | 42,700 |
| 12/1/2016 | | 4.50% | 1,800 | 1,800 |
| 6/1/2017 | 40,000 | 4.50% | 1,800 | 41,800 |
| 12/1/2017 | • | 4.50% | 900 | 900 |
| 6/1/2018 | 40,000 | 4.50% | 900 | 40,900 |
| | \$ 520,000 | | \$169,900 | \$ 689,900 |

Schedule of Bond Indebtedness Drain Bonds - Lincoln Drain December 31, 2004

| Maturity | | | | | | |
|-----------|-----|-----------|-------|----|---------|---------------|
| Date | F | Principal | Rate | lr | nterest | Total |
| 6/1/2005 | \$ | 35,000 | 5.00% | \$ | 5,390 | \$ 40,390 |
| 12/1/2005 | | | 5.00% | | 4,515 | 4,515 |
| 6/1/2006 | | 35,000 | 5.00% | | 4,515 | 39,515 |
| 12/1/2006 | | | 5.05% | | 3,640 | 3,640 |
| 6/1/2007 | | 35,000 | 5.05% | | 3,640 | 38,640 |
| 12/1/2007 | | | 5.15% | | 2,756 | 2,756 |
| 6/1/2008 | | 35,000 | 5.15% | | 2,756 | 37,756 |
| 12/1/2008 | | | 5.25% | | 1,855 | 1,855 |
| 6/1/2009 | | 35,000 | 5.25% | | 1,855 | 36,855 |
| 12/1/2009 | | | 5.35% | | 936 | 936 |
| 6/1/2010 | | 35,000 | 5.35% | | 937 | 35,937 |
| | _\$ | 210,000 | | \$ | 32,795 | \$ 242,795 |

Schedule of Bond Indebtedness Drain Bonds - Shebeon Intercounty Drain December 31, 2004

| Maturity Date | F | Principal | Rate | | nterest | | Total |
|---------------|----|-----------|-------|----|---------|----|-----------|
| 6/1/2005 | \$ | 225,000 | 5.35% | \$ | 36,619 | \$ | 261,619 |
| 12/1/2005 | , | , | 5.40% | • | 30,600 | • | 30,600 |
| 6/1/2006 | | 225,000 | 5.40% | | 30,600 | | 255,600 |
| 12/1/2006 | | , | 5.40% | | 24,525 | | 24,525 |
| 6/1/2007 | | 225,000 | 5.40% | | 24,525 | | 249,525 |
| 12/1/2007 | | | 5.45% | | 18,450 | | 18,450 |
| 6/1/2008 | | 225,000 | 5.45% | | 18,450 | | 243,450 |
| 12/1/2008 | | | 5.45% | | 12,319 | | 12,319 |
| 6/1/2009 | | 225,000 | 5.45% | | 12,319 | | 237,319 |
| 12/1/2009 | | | 5.50% | | 6,188 | | 6,188 |
| 6/1/2010 | | 225,000 | 5.50% | | 6,187 | | 231,187 |
| | \$ | 1,350,000 | | \$ | 220,782 | \$ | 1,570,782 |

Schedule of Bond Indebtedness Drain Bonds - Harbor Beach Consolidated Drain December 31, 2004

| MaturityDate | Principal | Rate | Interest | Total |
|--------------|--------------|-------|------------------|--------------|
| 6/1/2005 | \$ 50,000 | 6.75% | \$ 29,612 | \$ 79,612 |
| 12/1/2005 | Ψ 30,000 | 4.75% | 27,925 | 27,925 |
| 6/1/2006 | 50,000 | 4.75% | 27,925 | 77,925 |
| 12/1/2006 | 30,000 | 4.75% | 26,738 | 26,738 |
| 6/1/2007 | 50,000 | 4.75% | 26,737 | 76,737 |
| 12/1/2007 | 30,000 | 4.80% | 25,550 | 25,550 |
| 6/1/2008 | 50,000 | 4.80% | 25,550 | 75,550 |
| 12/1/2008 | 30,000 | 4.85% | 24,350 | 24,350 |
| 6/1/2009 | 75,000 | 4.85% | 24,350 | 99,350 |
| 12/1/2009 | 75,000 | 4.90% | 24,550 22,531 | 22,531 |
| 6/1/2010 | 75 000 | 4.90% | | |
| | 75,000 | | 22,531 | 97,531 |
| 12/1/2010 | 7F 000 | 5.00% | 20,694 | 20,694 |
| 6/1/2011 | 75,000 | 5.00% | 20,694 | 95,694 |
| 12/1/2011 | 75 000 | 5.10% | 18,819 | 18,819 |
| 6/1/2012 | 75,000 | 5.10% | 18,819 | 93,819 |
| 12/1/2012 | 75.000 | 5.20% | 16,906 | 16,906 |
| 6/1/2013 | 75,000 | 5.20% | 16,906 | 91,906 |
| 12/1/2013 | | 5.30% | 14,956 | 14,956 |
| 6/1/2014 | 75,000 | 5.30% | 14,956 | 89,956 |
| 12/1/2014 | | 5.35% | 12,969 | 12,969 |
| 6/1/2015 | 75,000 | 5.35% | 12,968 | 87,968 |
| 12/1/2015 | | 5.40% | 10,963 | 10,963 |
| 6/1/2016 | 75,000 | 5.40% | 10,962 | 85,962 |
| 12/1/2016 | | 5.50% | 8,938 | 8,938 |
| 6/1/2017 | 75,000 | 5.50% | 8,937 | 83,937 |
| 12/1/2017 | | 5.50% | 6,875 | 6,875 |
| 6/1/2018 | 75,000 | 5.50% | 6,875 | 81,875 |
| 12/1/2018 | | 5.50% | 4,813 | 4,813 |
| 6/1/2019 | 75,000 | 5.50% | 4,812 | 79,812 |
| 12/1/2019 | | 5.50% | 2,750 | 2,750 |
| 6/1/2020 | 100,000 | 5.50% | 2,750 | 102,750 |
| | \$ 1,125,000 | | \$ 521,161 | \$ 1,646,161 |

Schedule of Bond Indebtedness Drain Bonds - Beaubien Drain December 31, 2004

| MaturityDate | P | rincipal | Rate | <u> Ir</u> | nterest | | Total |
|--------------|-----|----------|--------|-------------|---------|-----|---------|
| 0111000 | • | F0.000 | 4.050/ | • | 0.750 | • | E0 7E0 |
| 6/1/2005 | \$ | 50,000 | 4.85% | \$ | 8,750 | \$ | 58,750 |
| 12/1/2005 | | | 4.90% | | 7,538 | | 7,538 |
| 6/1/2006 | | 50,000 | 4.90% | | 7,537 | | 57,537 |
| 12/1/2006 | | | 4.95% | | 6,313 | | 6,313 |
| 6/1/2007 | | 50,000 | 4.95% | | 6,312 | | 56,312 |
| 12/1/2007 | | | 5.00% | | 5,075 | | 5,075 |
| 6/1/2008 | | 50,000 | 5.00% | | 5,075 | | 55,075 |
| 12/1/2008 | | | 5.05% | | 3,825 | | 3,825 |
| 6/1/2009 | | 50,000 | 5.05% | | 3,825 | | 53,825 |
| 12/1/2009 | | | 5.10% | | 2,563 | | 2,563 |
| 6/1/2010 | | 50,000 | 5.10% | | 2,562 | | 52,562 |
| 12/1/2010 | | | 5.15% | | 1,288 | | 1,288 |
| 6/1/2011 | | 50,000 | 5.15% | | 1,287 | | 51,287 |
| | _\$ | 350,000 | | \$ | 61,950 | _\$ | 411,950 |

Schedule of Bond Indebtedness Drain Bonds - Cameron Drain December 31, 2004

| MaturityDate | P | rincipal | Rate | In | terest | Total |
|--------------|----|----------|-------|----|--------|---------------|
| 6/1/2005 | \$ | 30,000 | 4.00% | \$ | 6,658 | \$ 36,658 |
| 12/1/2005 | | | 4.10% | | 6,059 | 6,059 |
| 6/1/2006 | | 30,000 | 4.10% | | 6,059 | 36,059 |
| 12/1/2006 | | | 4.30% | | 5,444 | 5,444 |
| 6/1/2007 | | 30,000 | 4.30% | | 5,444 | 35,444 |
| 12/1/2007 | | | 4.40% | | 4,799 | 4,799 |
| 6/1/2008 | | 30,000 | 4.40% | | 4,799 | 34,799 |
| 12/1/2008 | | | 4.50% | | 4,139 | 4,139 |
| 6/1/2009 | | 35,000 | 4.50% | | 4,139 | 39,139 |
| 12/1/2009 | | | 4.60% | | 3,351 | 3,351 |
| 6/1/2010 | | 35,000 | 4.60% | | 3,351 | 38,351 |
| 12/1/2010 | | | 4.70% | | 2,546 | 2,546 |
| 6/1/2011 | | 35,000 | 4.70% | | 2,546 | 37,546 |
| 12/1/2011 | | | 4.85% | | 1,724 | 1,724 |
| 6/1/2012 | | 35,000 | 4.85% | | 1,724 | 36,724 |
| 12/1/2012 | | | 5.00% | | 875 | 875 |
| 6/1/2013 | | 35,000 | 5.00% | | 875 | 35,875 |
| | \$ | 295,000 | | \$ | 64,532 | \$ 359,532 |

Schedule of Bond Indebtedness Drain Bonds - Taft Drain December 31, 2004

| MaturityDate | F | Principal | Rate | nterest | | Total |
|--------------|----|-----------|-------|--------------|-----|---------|
| 6/1/2005 | \$ | 65,000 | 3.40% | \$ 10,670 | \$ | 75,670 |
| 12/1/2005 | | | 3.60% | 9,565 | | 9,565 |
| 6/1/2006 | | 65,000 | 3.60% | 9,565 | | 74,565 |
| 12/1/2006 | | | 3.80% | 8,395 | | 8,395 |
| 6/1/2007 | | 65,000 | 3.80% | 8,395 | | 73,395 |
| 12/1/2007 | | | 4.00% | 7,160 | | 7,160 |
| 6/1/2008 | | 65,000 | 4.00% | 7,160 | | 72,160 |
| 12/1/2008 | | | 4.20% | 5,860 | | 5,860 |
| 6/1/2009 | | 65,000 | 4.20% | 5,860 | | 70,860 |
| 12/1/2009 | | | 4.30% | 4,495 | | 4,495 |
| 6/1/2010 | | 65,000 | 4.30% | 4,495 | | 69,495 |
| 12/1/2010 | | | 4.40% | 3,098 | | 3,098 |
| 6/1/2011 | | 70,000 | 4.40% | 3,098 | | 73,098 |
| 12/1/2011 | | | 4.45% | 1,558 | | 1,558 |
| 6/1/2012 | | 70,000 | 4.45% | 1,555 | | 71,555 |
| | \$ | 530,000 | | \$ 90,929 | _\$ | 620,929 |

Schedule of Bond Indebtedness Drain Bonds - Filion Drain December 31, 2004

| Maturity | | | | |
|-----------|------------|-------|------------|------------|
| Date | Principal | Rate | Interest | Total |
| 6/1/2005 | \$ 40,000 | 3.45% | \$ 9,660 | \$ 49,660 |
| 12/1/2005 | Ψ 10,000 | 3.45% | 8,970 | 8,970 |
| 6/1/2006 | 40,000 | 3.45% | 8,970 | 48,970 |
| 12/1/2006 | , | 3.45% | 8,280 | 8,280 |
| 6/1/2007 | 40,000 | 3.45% | 8,280 | 48,280 |
| 12/1/2007 | , | 3.45% | 7,590 | 7,590 |
| 6/1/2008 | 40,000 | 3.45% | 7,590 | 47,590 |
| 12/1/2008 | • | 3.45% | 6,900 | 6,900 |
| 6/1/2009 | 40,000 | 3.45% | 6,900 | 46,900 |
| 12/1/2009 | • | 3.45% | 6,210 | 6,210 |
| 6/1/2010 | 40,000 | 3.45% | 6,210 | 46,210 |
| 12/1/2010 | · | 3.45% | 5,520 | 5,520 |
| 6/1/2011 | 40,000 | 3.45% | 5,520 | 45,520 |
| 12/1/2011 | | 3.45% | 4,830 | 4,830 |
| 6/1/2012 | 40,000 | 3.45% | 4,830 | 44,830 |
| 12/1/2012 | | 3.45% | 4,140 | 4,140 |
| 6/1/2013 | 40,000 | 3.45% | 4,140 | 44,140 |
| 12/1/2013 | | 3.45% | 3,450 | 3,450 |
| 6/1/2014 | 40,000 | 3.45% | 3,450 | 43,450 |
| 12/1/2014 | | 3.45% | 2,760 | 2,760 |
| 6/1/2015 | 40,000 | 3.45% | 2,760 | 42,760 |
| 12/1/2015 | | 3.45% | 2,070 | 2,070 |
| 6/1/2016 | 40,000 | 3.45% | 2,070 | 42,070 |
| 12/1/2016 | | 3.45% | 1,380 | 1,380 |
| 6/1/2017 | 40,000 | 3.45% | 1,380 | 41,380 |
| 12/1/2017 | | 3.45% | 690 | 690 |
| 6/1/2018 | 40,000 | 3.45% | 690 | 40,690 |
| | \$ 560,000 | | \$ 135,240 | \$ 695,240 |

HURON COUNTY BAD AXE, MICHIGAN

SINGLE AUDIT YEAR ENDED DECEMBER 31, 2004

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HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants 1242 Sand Beach Road P.O. Box 326 Bad Axe, MI 48413-0326 Bruce Hill Donald Kuzak Michael Doerr

Phone: (989) 269-9541 • FAX: (989) 269-6777

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners Huron County, Michigan

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 26, 2005. We did not audit the financial statements of the following component units included in the financial statements of Huron County, Michigan:

| Component Units | Classification | Percentage of Government-wide Total Revenues and Other Sources | Percentage of Government-wide Total Assets |
|---------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------|
| Primary government: Airport, Parks Huron Transit Funds | Governmental activities Business type activities | 8.08% 15.36% | 28.38% 12.28% |
| Discretely presented: Road Commission Drain Funds Huron Behavioral Health | Component units Component units Component units | 51.86% 9.22% 33.66% | 60.65% 29.17% 4.93% |

The financial statements for these component units were audited by other auditors, whose reports thereon were furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned component units, is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Huron County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our report and the report of other auditors noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Huron County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and the reports of other auditors disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance committee, management, the Huron County Board of Commissioners, the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hipper, Hill, Kych & Co. P.C.

May 26, 2005

HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants 1242 Sand Beach Road P.O. Box 326 Bad Axe, MI 48413-0326 Bruce Hill Donald Kuzak Michael Doerr

Phone: (989) 269-9541 • FAX: (989) 269-6777

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners Huron County, Michigan

Compliance

We have audited the compliance of Huron County, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Huron County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Huron County's management. Our responsibility is to express an opinion on Huron County's compliance based on our audit.

Huron County's financial statements include the operations of the Huron Transit Funds, Road Commission Funds, and the Airport Fund, which received federal awards in the amount of \$1,726,888 which were not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2004. Our audit, described below, did not include the operations of these component units and funds because other auditors were engaged by these entities to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Huron County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Huron County's compliance with those requirements.

In our opinion, Huron County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Huron County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Huron County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our report and the report of other auditors noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Huron County, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 26, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Huron County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

We did not audit the financial statements of the following component units included in the financial statements of Huron County, Michigan:

| Component Units | Classification | Percentage of Government-wide Total Revenues and Other Sources | Percentage of Government-wide Total Assets |
|---------------------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------|
| Primary government: Airport, Parks Huron Transit Funds | Governmental activities Business type activities | 8.08% 15.36% | 28.38% 12.28% |
| Discretely presented: Road Commission Drain Funds Huron Behavioral Health | Component units Component units Component units | 51.86% 9.22% 33.66% | 60.65% 29.17% 4.93% |

The financial statements for these component units were audited by other auditors, whose reports thereon were furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned component units, is based solely upon the reports of the other auditors.

This report is intended solely for the information and use of the finance committee, management, the Huron County Board of Commissioners, the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hyper, Hill, Krush & Co, P. C.

May 26, 2005

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| 482,391 | | | | Environmental Protection Agency total |
|-------------------------------------------------------------|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 250 461,305 2,600 18,236 | 09/30/04 2004-2005 09/30/04 09/30/04 | State of Michigan State of Michigan State of Michigan | 66.032 66.468 66.471 66.472 | Environmental Protection Agency Radon testing Drinking Water Revolving Loan Funds Non-Community Water Beach Monitoring Grant |
| 14,500 | | | | Small Business Administration total |
| 14,500 | 12/31/04 | Michigan SBDC | 59.037 | Small Business Administration Small Business Development Grant |
| 009 | | | | National Endowment for the Humanities total |
| 009 | 12/31/04 | Michigan Council for Arts and Cultural Affairs | 45.025 | National Endowment for the Humanities Arts Regranting |
| 20,249 | | | Ciuster total | U.S. Dept. of Labor total |
| 10,952 2,559 6,738 | 09/30/04 09/30/04 09/30/04 | Thumb Area - Michigan Works Thumb Area - Michigan Works Thumb Area - Michigan Works | 258 259 260 | WIA Adult Program WIA Youth Activities WIA Dislocated Workers |
| 233 | 09/30/04 | Thumb Area - Michigan Works | 17.253 | Welfare to Work Grants to States and Localities |
| 6,279 | 09/30/04 | Thumb Area - Michigan Works | 17.207 | U.S. Dept. of Labor Employment Services Funds |
| 4,400 | | | | U.S. Dept. of Justice total |
| 4,400 | 12/31/04 | Michigan State Police | 16.607 | U.S. Dept. of Justice Bulletproof Vest Partnership Program |
| 68,776 | | | | U.S. Dept. of Housing and Urban Development total |
| 28,334 20,000 20,442 | 12/31/04 12/31/04 2003-2005 | Michigan Economic Development Corp. Michigan Economic Development Corp. Mich State Hsng Deve. Authority | 14.228 14.228 14.228 | U.S. Dept of Housing and Urban Development Community Development Block Grant - Kitchen Incubator Community Development Block Grant - Bio Energy Housing Rehab |
| 118,374 | | | | U.S. Dept. of Agriculture total |
| 118,258 116 | 09/30/04 | Michigan Dept. of Public Health Thumb Area - Michigan Works | 10.557 10.561 | U.S. Dept. of Agriculture Special Supplemnetal Food Program for Women, Infant, Children Thumb Area - Michigan Works |
| Federal Expenditures | Year | Pass-through Agency | CFDA# | Federal Grantor/Program Name |
| ENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2004 | SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2004 | SCHEDULE OF | | |

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2004

| Federal Grantor/Program Name | CFDA# | Pass-through Agency | Year | Federal Expenditures |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| U.S. Dept. of Health and Human Services Tuberculosis control program Family Planning - Services Immunization Programs | 93.116 93.217 93.268 | Michigan Dept. of Public Health Michigan Dept. of Public Health Michigan Dept. of Public Health | 09/30/04 09/30/04 09/30/04 | 6,000 43,874 24,319 |
| Chronic Disease and Health Prevention - Wise Woman Program Chronic Disease and Health Prevention - Bioterroism Supplemental | 93.283 93.283 93.283 total | Michigan Dept. of Public Health Michigan Dept. of Public Health | 09/30/04 09/30/04 | 47,500 204,500 252,000 |
| IV-D Friend of the Court CRP-Child Support Enforcement IV-D Friend of the Court CRP-Child Support Enforcement IV-D Friend of the Court CRP-Child Support Incentive IV-D Frosecuting Attorney CRP-Child Support Enforcement IV-D Prosecuting Attorney CRP-Child Support Enforcement | 93.563 93.563 93.563 93.563 93.563 93.563 | Michigan Family Independence Agency Michigan Family Independence Agency | 09/30/04 09/30/05 FY 2003 09/30/04 2002 09/30/05 09/30/05 09/30/05 | 146,100 42,890 11,874 24,284 5,954 9,086 22,091 7,689 |
| | 93.563 total | | | 269,968 |
| Medical Assistanc progam- Case management services Breast and Cervical Cancer Maternal & Child Health Svcs Block Grt Maternal & Child Health Svcs Block Grt Maternal & Child Health Svcs Block Grt | 93.778 93.919 93.994 93.994 93.994 93.994 total | Michigan Dept. of Public Health Michigan Dept. of Public Health Michigan Dept. of Public Health Michigan Dept. of Public Health Michigan Dept. of Public Health | 09/30/04 09/30/04 09/30/04 09/30/04 | 3,700 147,724 9,562 6,012 33,859 49,433 |
| U.S. Dept. of Health and Human Services total | | | | 797,018 |
| Unknown Thumb Area - Michigan Works | Unknown | Thumb Area - Michigan Works | 09/30/04 | 22,820 |
| Department of Homeland Security Miscellaneous 2003 Part I State Homeland Security Grant Program 2003 Part I State Homeland Security Grant Program | 97.004 97.004 97.004 97.004 total | Program exercise grant Equipment reimbursement Equipment reimbursement | 2004 | 50 28,307 27,741 56,098 |
| Hazard Mitigation Grant Emergency Management Assistance 2002 Supplemental Planning Grant | 97.039 97.042 97.051 | Michigan State Police Michigan State Police Michigan State Police | 2004 2004 2002 | 14,500 14,229 297 |
| Department of Homeland Security total | | | | 85,124 |

Grand total

1,620,764

Schedule of Findings and Questioned Costs Ended December 31, 2004

A. Summary of Audit Results

- 1. The auditor's report expresses an unqualified opinion on the financial statements.
- 2. No reportable conditions were disclosed during the audit of the financial statements.
- 3. No instances of noncompliance material to the financial statements of Huron County were disclosed during the audit.
- 4. No reportable conditions were disclosed during the audit of the major federal award programs.
- 5. The auditor's report on compliance for the major federal award programs for Huron County, expresses an unqualified opinion.
- Audit findings, if any, relative to the major federal award programs for Huron County are reported in Part C of this schedule.
- 7. The programs tested as major federal award programs included:

| Program | CFDA# |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Drinking Water Revolving Loan Funds Chronic Disease and Health Prevention – Wise Woman Program Chronic Disease and Health Prevention – Bioterrorism | 66.468 93.283 93.283 |
| | |

- 8. The threshold for distinguishing Types A and B programs was \$300,000.
- 9. Huron County did qualify as a low risk auditee.

B. Findings - Financial Statements Audit

Reportable conditions - none noted

C. Findings and Questioned Costs - Major Federal Award Programs Audit

- 1. Drinking Water Revolving Loan Funds none noted
- 2. Chronic Disease and Health Prevention Wise Woman Program none noted
- 3. Chronic Disease and Health Prevention Bioterrorism none noted

D. Summary Schedule of Prior Audit Findings

No prior audit findings.

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2004

to Subrecipient

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Huron County and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Subrecipients

Program Title

Huron County provided awards to subrecipients as presented below. These amounts are included in the federal expenditures in the schedule.

Amount Provided

Federal CFDA #

| 1 Togram Tido | 1 Capital Of Divin | 10 0 | abi o oipiorit |
|-------------------------------------------|--------------------|------|-----------------------------------------|
| Housing Rehab | 14.228 | \$ | 20,442 |
| 3. Reconciliation to financial sta | tements | | |
| Federal revenue reported in combin | ned financials: | | |
| Governmental funds | | | \$ 1,496,317 |
| Proprietary funds | | | 337,635 |
| EDC - Discretely presented con | mponent unit | | 63,434 |
| Roads - Discretely presented of | omponent unit | | 1,005,587 |
| DPW - Discretely presented component unit | | | |
| Loan funds considered as | • | | 461,305 |
| | | | |
| Subtotal | | | 3,364,278 |
| | | | |
| Less funds in above data audited by | y other auditors: | | |
| Airport | | | (383,666) |
| Thumb Transit fund | | | (337,635) |
| Road Commission | | | (1,005,587) |
| | | | |
| Subtotal | | | (1,726,888) |
| 2 3.0 3.5 42.0 | | | (, , , , , , , , , , , , , , , , , , , |
| Less adjustment of federal content | | | (16,626) |
| | | | |
| Federal revenue per schedule of fed | deral awards | | \$ 1,620,764 |
| . I I I I I I I I I I I I I I I I I I I | | | 1 |

HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants 1242 Sand Beach Road P.O. Box 326 Bad Axe, MI 48413-0326 Bruce Hill Donald Kuzak Michael Doerr

Phone: (989) 269-9541 • FAX: (989) 269-6777

May 26, 2005

To the Board of Commissioners County of Huron Bad Axe, Michigan

In planning and performing our audit of the financial statements of the County of Huron for the year ended December 31, 2004, we considered the County's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. (A separate report dated May 26, 2005, contains our report on the County's compliance and internal controls). This letter does not affect our report dated May 26, 2005 on the financial statements of the County of Huron.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss these comments in further detail at your convenience, or perform any additional studies of these matters, or to assist you in implementing the recommendations.

Hyper, till, Knoch & Go P.C.

General Fund

Vacation and Sick Payoffs

Prior Recommendation not yet implemented

The year-end accrual for vacation and sick payoffs is performed by the Treasurer's office based on the amounts paid (usually during the second payroll of January). However, there are instances where an employee is not paid off vacation and/or sick until the February payroll. This amount is not recorded by the Treasurer's office, therefore understating the payoff accrual.

We would recommend that the Treasurer's office and Clerk's office develop a procedure notifying the Treasurer of any late payoffs that are not included with the normal payoffs. Also, the Treasurer should develop a reconciliation process to verify that the final accrual ties to the balance in the general ledger for the payoffs.

Compensated Absences

Prior Recommendation not yet implemented

A report is currently generated by the payroll system to indicate each employee's accrued benefits. This report is not utilized by the Clerk's office. They continue to maintain a manual system of recording days off and calculating balances.

A computer-based system should allow for better reliance on balances, as arithmetic errors should be minimalized.

We would recommend that the Clerk's office investigate the accuracy of the computer-generated reports, thereby eliminating the unnecessary manual system.

Also, the use of this report would allow the Treasurer's office to record the entry for compensated absences at year-end.

Payroll Accrual

New Recommendation

The year-end accrual for payroll for the Sheriff's department was not recorded. We recommend that the Treasurer's office develop a procedure for insuring that the accrual information is received from both the Sheriff's office as well as the Clerk's office.

Special Revenue Fund

Building and Zoning

Prior Recommendation not yet implemented

Permits are printed out when issued. However they are not prenumbered. We recommend that a reconciliation be performed on a monthly or quarterly basis to ensure that permits are not stolen or issued without charge.

Agency Fund

Trust and Agency - Employee Fringe Benefits

Prior Recommendation not yet implemented

Employee Fringe Benefits includes amounts withheld from employee's paychecks to cover their share of fringe benefits (i.e. vision insurance premiums). Currently no formal reconciliation procedure is performed to insure that the amount deducted from an employee's paycheck agrees with the amount remitted to the vendor. The balance in the Employee Fringe Benefit Fund should indicate current withholding payable. However, the account balance cannot be tied to any particular balance due. This may result in issues with employees if amounts are being over-withheld, or if the vendor is not providing proper coverage because premiums are not paid.

We would recommend that a reconciliation procedure be developed between the withholdings and remittances to insure proper payment and that the general ledger account be adjusted to report the correct amounts owed.

Budget

Prior Recommendation not yet implemented

Per the Uniform Budget Manual of August 2001:

Section 16 - "The legislative body of each local unit must pass a general appropriations act (budget) for the General Fund and each Special Revenue Fund.

Section 18 - "Policies expenditures shall not be made in excess of the amount authorized in the budget". The Interpretations and Recommendations Section states: "When necessary, the budget must be amended. The amendment must be approved by the legislative body prior to the expenditure being made. This is not only a requirement of the Budget Act but also a requirement of sound budgeting theory. The purpose of a budget is not only to approve expenditures but also to control expenditures."

During the period audited the Probation Officer Compliance, Public Improvement, and Local Correction Officer's Training funds had not adopted a budget. Also, amendments to some funds budgets were made after the expenditure was incurred and in some instances after the fiscal year end.

We recommend a procedure be developed to insure compliance with the Budget Act as it relates to adoption and amendments of budgets prior to exceeding established budgetary amounts.

Miscellaneous

Accrued Interest

Prior Recommendation not yet implemented

Interest earned on accounts at financial institutions should be recorded in the period earned. However, it was noted during the audit that several accounts were improperly recorded because interest had not been accrued. (Library, Trust and Agency, Tax Revolving).

We recommend that a procedure be developed to insure that all interest is properly recorded at year-end.

Conflict of Interest

Prior Recommendation not yet implemented

We recommend that the County implement a formal policy detailing how to deal with, and what constitutes, a Conflict of Interest.

Payroll

Prior Recommendation not yet implemented

We recommend that the County implement a procedure to maintain an updated list of every employee with grade and step - by department. This list should be utilized to flag employees who will be changing either grade or step. This will help to eliminate some of the error corrections due to missed pay increases.

Bank and Signatory Authorizations

Prior Recommendation not yet implemented

The County currently authorizes bank accounts and check signors only when they change. We recommend that all bank accounts and authorized check signers be approved at the beginning of each year. We further recommend that when new accounts are opened, the authorization be shown in the minutes of the Board of Commissioners meeting. Alternatively, at the beginning of each year, the Treasurer could be authorized to open any new accounts required.

Grant Process

Prior Recommendation not yet implemented

We recommend that the County implement a reconciliation process to give more control over the grant process. The grant writer should be given a breakdown of grant money received by the Treasurer to be reconciled with the amount applied for.

New Recommendations

The County receives federal and state funding under cost reimbursement type grants for programs administered by the Friend of the Court, Prosecutor's office, Sheriff's department and Emergency Management. In one instance the grant program revenues were credited to a fund different than the fund that paid the expenses. Such an error could be avoided if the grant manager received monthly profit and loss reports for the grant program.

Federal grant records should be maintained including a copy of receipt, stub, grant papers showing compliance requirements, CFDA number, contact person, and any other pertinent information. This will help in the preparation of the Schedule of Expenditures of Federal Awards.

Terminated Employees

New Recommendation

Terminated employees still have access to the County's computer system until the Computer Information System (CIS) department is notified. CIS immediately removes the employee's access upon notification. However, it can be up to six months before CIS is made aware of the employee's termination. We recommend that a procedure be developed and enforced requiring department heads to notify CIS prior to or immediately upon termination of any employee.

Computer Applications

New Recommendation

The County Treasurer's office performs general ledger bookkeeping functions for virtually all County funds. The individual fund general ledgers are maintained using the County's computerized software programs except for the DPW Capital Project and Debt funds, Drain funds, and the Building Authority funds. We believe that all funds should be processed on the computerized general ledger software and that the manually posted general ledgers should be discontinued.

New Accounting Standards – Retiree Health Care Benefits New Recommendation

For fiscal year 2007, the County will be subject to recently issued Governmental Accounting Standards Board Statement # 45 – Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions. This statement contains new accounting standards for the reporting of the cost of retiree health care benefits (as well as other post employment benefits). The new rule will require governments to recognize the cost of providing retiree health care benefits over the employee's working life rather than when the health care premiums are paid. The expense will not be recognized at the fund level, but will be required for the government-wide financial statements. Additionally, the pronouncement does not require local governments to fund the benefit or include the cost as a budgeted expenditure.

For financial reporting purposes, the local government will need to perform an actuarial valuation at least once every three years. That valuation will measure the retiree health care obligation and determine the annual required contribution (ARC). If the government does not fund the ARC, a liability is recorded only on the government-wide statements.

For the County and its components, the Statement will be effective for the year 2007 (12/31/2007 or 9/30/2007, depending on the fund.) Because actuarial valuations take considerable time to develop and quantify data, we suggest that you start the process no later than September 2005.

Detailed Accounting Procedures Manual

New Recommendation

The County does not have an accounting procedures manual in existence to document detailed procedures such as disbursements, receipts, payroll, reporting, general ledger, and other accounting procedures.

We suggest the County consider developing an accounting procedures manual to document procedures that are in place.